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CALIFORNIA ECONOMIC INDICATORS

November 1985



DEPARTMENT OF FINANCE

INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Census Bureau publication Business Conditions Digest, the report contains the following regular features:

- . review of economic developments
- . current California economic data table
- . economic indicator charts
- . basic data for California economic series
- . chronology of major economic events

Developments in California over the most recent months are reviewed in a brief text, and then summarized in a current data table which shows changes over the previous year. Charts containing monthly and quarterly series from 1972 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State economy. Much of the data in the report has been seasonally adjusted by the source agency or the Department of Finance.

Sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published. Finally, reference dates for U.S. business cycles, as determined by the National Bureau of Economic Research, are shown on the back of the publication.

The Department of Finance welcomes suggestions on additions or changes which would make the Indicators a more useful publication. Correspondence should be addressed to: State of California, Department of Finance, Financial Research Unit, 1025 P Street, Sacramento, CA 95814.

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<u>Beginning Subscription Date</u>	<u>Prorated Amount Due</u>
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REVIEW OF ECONOMIC DEVELOPMENTS

Overall the California economy seems to have picked up a little momentum in the third quarter compared to the first half of the year. The California index of leading economic indicators has moved up the last four months in a row, and rose 0.9 percent from August to September. Individual indicators in recent months show mixed trends. Unemployment was up in October, and production in basic industries such as cement and lumber was down. Further, crude materials prices are still dropping. However, increasing retail sales, a booming construction industry, steady growth in personal income, and moderate inflation rates point to an economy that is poised for further growth.

Nonagricultural wage and salary employment increased 2.8 percent from October 1984 to October 1985. This growth added 300,000 nonfarm jobs during that time. The impact of increased housing construction as well as continued strong nonresidential building activity is evident in the construction employment numbers. The construction industry made huge year-over-year employment gains with an increase of 8.3 percent in October.

The trade, finance, and services sectors all posted moderate employment gains in October. In the services sector the 3.5 percent year-over-year change in total employment conceals somewhat divergent trends in the individual parts. Business services employment, which account for a fourth of total services employment, increased only 0.6 percent over the year. Hotels and motels services rose 1.7 percent. However, personal services, and auto and miscellaneous repair services grew 5.3 percent and 5.4 percent, respectively.

The manufacturing sector showed improvement in October with a 1.4 percent year-over-year gain. Most of that was due to a rise in nondurable goods employment. Durable goods manufacturing showed little change.

In general, the statewide unemployment rate continues to exhibit erratic movements, fluctuating above and below the level of the national unemployment rate. In October, the California rate moved up to 7.7 percent. The rate is 0.1 percentage point higher than in September, and 0.2 percentage points higher than in October of 1984. It is expected that the rate for November will register a significant drop.

Personal income growth was strong during the third quarter. Total personal income is estimated at a \$403.3 billion seasonally adjusted annual rate for the period, a 5.4 percent increase from the second quarter on a compounded annual rate basis.

Wages and salaries--the largest component of personal income--increased 5.6 percent from the second quarter, and was up 9.4 percent over the third quarter of 1984. All other income components also advanced at a strong pace, except for interest income. Interest income declined 2.6 percent due to the continued decline in interest rates. The table below shows the latest income data.

CALIFORNIA PERSONAL INCOME BY COMPONENT
(\$ millions)

Sector	3rd Quarter 1985	3rd Quarter 1984	Percent Change
Total Wages & Salaries	\$249,860	\$228,311	9.4
Farm	2,825	2,782	1.5
Mining	1,693	1,709	-0.9
Construction	12,715	11,108	14.5
Manufacturing	53,679	50,231	6.9
TCU	16,178	14,805	9.3
Trade	41,780	38,469	8.6
Finance	17,528	15,790	11.0
Services	52,699	49,719	6.0
Government	45,642	42,155	8.3
Other	1,754	1,543	13.7
Other Labor Income	26,394	23,839	10.7
Farm Proprietors' Income	2,097	2,246	-6.6
Nonfarm Proprietors' Income	13,684	12,335	10.9
Dividends	10,051	9,440	6.5
Interest	56,250	56,155	0.2
Rent	12,093	10,940	10.5
Transfer Payments	52,245	10,940	7.5
Less: Contributions for Social Insurance	19,489	16,880	15.5
Plus: Residence Adjustment	130	122	6.6
Total Personal Income	\$403,316	\$375,086	7.5

Estimates of personal income were recently revised back to 1982. Personal income rose 11.0 percent in 1984 to \$371.2 billion. The table below shows the year-to-year percent changes in personal income for each revised year.

TOTAL PERSONAL INCOME IN CALIFORNIA

Year	California Personal Income (\$ millions)	Percent Change From Prior Year
1982	312,205	6.5%
1983	334,000	7.1%
1984	371,202	11.0%

Currently the U.S. Department of Commerce is undertaking a massive rebenchmarking of national income account data, which will affect State personal income figures. Data from new sources will be incorporated, as well as some methodological and definitional changes. Revisions of national data are expected to become available late in December. Comparable State figures will not be released until August 1986.

Price increases continue to be moderate in the State, and appear, in fact, to be slowing a bit. The California consumer price index rose 4.3 percent between October 1984 and October 1985. The year-over-year rise in the national index was 3.2 percent.

The relative changes in the index components remains the same as it has been for most of this year. Residential rents and homeowners' costs are still the major factors contributing to the rise in the overall index. In the Los Angeles-Long Beach-Anaheim area, rents increased 9.8 percent and homeowners' costs were up 8.0 percent on a year-over-year basis in October. In the San Francisco-Oakland region the price increases for rents and homeowners' costs were not quite as severe in October, increasing at rates of 7.2 percent and 5.9 percent, respectively. In San Diego rents rose 12.0 percent and homeowners' costs gained 14.9 percent between September 1984 and September 1985.

The large jumps in these individual components contrast sharply with the slow price increases occurring in the other components. Food prices, in fact, have been dropping on a month-to-month basis in some areas of the State, and the year-over-year increases are less than 2.0 percent. Prices for apparel and upkeep have also declined. Transportation, along with fuel and other utilities also increased at rates of less than 2.0 percent in October. Medical care prices rose 7.5 and 7.0 percent in Los Angeles and San Francisco, respectively.

Construction activity picked up speed again this fall even after a block buster summer. Housing construction has been especially strong. From July to August total housing unit authorizations increased 13.9 percent to a 275,600 seasonally adjusted annual rate. That brought housing unit authorizations up 27.5 percent over last August. It appears that September's activity brought even more strength to the building industry. It is estimated that housing permits increased more than 40.0 percent from August to September. This surge was largely due to new handicapped accessibility building regulations which went into effect on September 15th. Many builders were trying to beat the September 15th deadline for permits, to hold down construction costs.

Nonresidential building activity also continues to be strong. Nonresidential authorizations were valued at \$1.2 billion in August, which was 21 percent higher than the year-earlier figure.

In business, new corporations fell 2.1 percent from August to September, but remain 16.6 percent above the number for September of 1984. On the other hand, help-wanted ads increased 7.9 percent from August to September, and were 5.1 percent above the year-earlier level.

Retail sales were up strongly in August and September. California retail sales totaled \$14.4 billion in September, up 11.2 percent from last September. In the U.S. as a whole, September retail sales climbed 10.2 percent over the year. Retail sales in California were 12.0 percent of all retail sales in the U.S. While detailed data are not available, it appears that auto sales gains were largely responsible for the September improvement. Preliminary national data for October would suggest that sales in the State eased significantly after the auto promotions were ended.

The economic outlook for California in 1986 calls for slight improvements in both employment and income trends, compared to 1985. The latest forecast from the Department of Finance will be summarized in the January 1986 California Economic Indicators.

CURRENT CALIFORNIA ECONOMIC DATA

	1985				1984		Percent Change October 1984 October 1985
	October	September	August	July	October	September	
<u>Employment^{a/}</u>							
Civilian employment (000) - - - - -	11,888	11,757	11,733	11,799	11,680	11,592	1.8
Unemployment (000) - - - - -	986	964	922	911	943	1,022	4.6
Unemployment rate - - - - -	7.7	7.6	7.3	7.2	7.5	8.1	--
<u>Nonagricultural wage and salary^{a/} employment^{b/} (000)- - - - -</u>							
	11,008.3	10,980.4	10,967.9	10,951.3	10,708.3	10,669.5	2.8
Mining - - - - -	48.1	47.8	48.6	48.1	50.0	50.3	-3.8
Construction - - - - -	493.0	496.8	496.6	498.4	455.1	454.6	8.3
Manufacturing - - - - -	2,090.6	2,078.1	2,083.8	2,073.3	2,062.6	2,059.0	1.4
Aerospace ^{c/} - - - - -	n.a.	736.0	736.9	734.6	728.3	726.2	--
Transportation and public utilities -	576.6	576.5	573.3	576.2	568.7	563.1	1.4
Trade - - - - -	2,640.3	2,629.5	2,628.4	2,631.4	2,553.5	2,533.4	3.4
Finance, insurance, and real estate -	728.8	729.4	727.6	726.7	705.2	697.1	3.3
Services - - - - -	2,673.9	2,660.1	2,668.0	2,652.0	2,581.7	2,576.5	3.6
Government - - - - -	1,757.0	1,762.2	1,741.6	1,745.2	1,731.5	1,735.5	1.5
Federal - - - - -	340.2	338.9	337.7	335.4	332.9	332.0	2.2
State and local - - - - -	1,416.8	1,423.3	1,403.9	1,409.8	1,398.6	1,403.5	1.3
<u>Hours and Earnings, Manufacturing</u>							
Average weekly hours - - - - -	n.a.	40.4	40.2	39.7	40.0	40.2	--
Average weekly earnings - - - - -	n.a.	\$410.87	\$406.42	\$402.56	\$392.00	\$396.77	--
Average hourly earnings - - - - -	n.a.	\$10.17	\$10.11	\$10.14	\$9.80	\$9.87	--
Index of Leading Indicators - - - - -	n.a.	138.4	137.2	137.0	135.6	137.0	--
<u>Trade^{a/}</u>							
Retail sales (millions) - - - - -	n.a.	\$14,355	\$14,611	\$14,054	\$13,070	\$12,909	--
New auto registrations (number) - - - -	n.a.	58,136	59,761	144,695	102,243	99,884	--
New Incorporations (number) ^{a/} - - - - -	n.a.	5,094	5,204	5,007	5,132	4,367	--
<u>Consumer Price Index, all items^{d/}</u>							
California average (1967=100) - - - - -	334.0	n.a.	331.8	n.a.	320.3	n.a.	4.3
San Francisco (1967=100) - - - - -	336.7	n.a.	335.8	n.a.	327.5	n.a.	2.8
Los Angeles (1967=100) - - - - -	326.1	328.3	323.9	321.3	311.7	310.2	4.6
San Diego (1967=100) - - - - -	n.a.	377.3	n.a.	372.8	n.a.	357.1	--
<u>Production</u>							
Petroleum (000 barrels daily) - - - - -	n.a.	n.a.	n.a.	1,150.3	1,147.8	1,137.3	--
Portland cement (000 short tons)- - - -	n.a.	760.6	859.2	840.8	825.8	733.8	--
Selected redwood mill production (mil. FBM)	n.a.	63.52	72.27	64.47	75.23	63.34	--
<u>Construction^{a/}</u>							
Private residential housing units authorized, SAAR (000)- - - - -	n.a.	n.a.	275.6	242.0	191.5	174.4	--
Nonresidential building authorized, valuation (millions)- - - - -	n.a.	n.a.	\$1,215	\$1,083	\$1,009	\$1,101	--

^{a/}Adjusted for seasonal variation.^{b/}Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end^{c/}The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.^{d/}All urban series. New basis since January 1983.^{e/}Preliminary estimate.^{f/}Revised.

n.a. Not available

CONSUMER PRICE INFLATION--HOW DOES CALIFORNIA DIFFER FROM THE REST OF THE U.S.?

The Consumer Price Index (CPI) is an important and widely accepted measure of price changes. It measures the changes in typically purchased goods and services by comparing the costs of a sample market basket of goods and services with what the same basket cost in 1967. The most common uses of the CPI are 1) as an indicator of inflation, 2) as a deflator to create other indexes, and 3) as an escalator. In its use as an escalator it is frequently used to determine wage increases. It is also used to make adjustments in contracts, in lease agreements, and in fee-setting. Within government it is applied to the costs of various programs to recognize the impact of inflation in the budget process. In California state government it is applied to programs in areas such as health and social services, education, program evaluation, and project cost estimation.

During the past two years the California CPI has out-paced the national index, and it is forecasted to continue rising faster through 1986 and 1987. The cause of a faster rising CPI for California, relative to the U.S., is not due to a general acceleration of prices in the State, as one might deduce upon initial interpretation of the index. Residential rents and homeowners' costs are the culprits.

Residential rent and homeowners' costs are rising faster in California than in the nation as a whole. Over the past few years, rents and homeowners' costs have risen at about a 5 percent rate per year nationally. California, however, has experienced increases of over 9 percent in some regions.

When one considers this rapid increase with the fact that these two components account for nearly a third of the overall index, it is clear that without these two factors, changes in the California CPI would be more in line with the national index.

The continued acceleration of these heavily weighted components of the California CPI point to a possible problem in the index, or at least in its interpretation. Several questions arise. Are the increases in rents and homeowner' costs in the Los Angeles, San Diego and San Francisco regions indicative of what is actually happening with rents and homeowners' costs in these regions? Even if they are, do they over-state the real status of inflation in California? After all, inflation seems to be under control when one examines other components of the index, such as food, apparel, transportation and medical care. And finally, are doubts about the representativeness of the rental group for homeowners justified? This has been a concern since 1983 when the conversion to a rental equivalence for the homeownership component was introduced.

Consider how the percent increase in the California CPI for all items would be affected if rents and homeowner's costs were rising at rates of around 5 percent, such as with medical costs and other goods and services. It would be 0.6 to 0.8 points lower--down around 4 percent rather than nearly 5 percent. The forecast values for 1986 and 1987 come down even more strongly. According to the latest forecast of the Department of Finance, the overall California CPI for All Urban Consumers would be rising at the same rate as for the entire U.S. by 1987. Tables 1 and 2 on the following page show the annual averages and percent changes for the U.S. CPI and California CPI under the conditions of the current forecast and the adjusted forecast (i.e., holding rents and homeowners' costs at 5 percent.)

By adjusting the forecast to assume more moderate rates of inflation for residential rents and homeowners' costs, the most dramatic change occurs in the forecast for the San Diego CPI for all items. Instead of inflation rates of 5.2 and 5.4 percent in 1986 and 1987, respectively, the San Diego CPI would rise at rates of 4.2 and 4.3 percent. The difference is due mainly to what would be a significantly lower CPI for homeowners' costs. Current year-over-year changes in the San Diego homeowners' costs CPI are around 14 percent. The 5 percent change from year-to-year clearly paints a picture quite different from the actual forecast.

The adjustment has a similar effect on the San Francisco CPI. The adjusted forecast comes down significantly from the actual forecast.

In the Los Angeles region, the adjustment causes the all items forecast percent changes to fall from 4.4 percent to 3.8 percent for 1986, and from 4.8 percent to 4.2 percent for 1987.

The adjusted forecast was created to contrast reality and the current forecast, to illustrate the important effect these factors have in the calculation of the index. The California Consumer Price Index is used as a tool in making very important decisions, and has a broad spectrum of users. Using it without fully understanding its sensitivities and limitations could lead to inappropriate applications of the index. The more information that users of the CPI have about its composition and interpretation, the better equipped they are to make sound judgments based on its use.

TABLE 1
CALENDAR YEAR AVERAGES
FOR SELECTED CONSUMER PRICE INDEX COMPONENTS
1985-1987

INDEX	U.S. FORECAST			CALIFORNIA FORECAST			ADJUSTED CALIFORNIA FORECAST		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
All Items	322.1	333.7	347.6	329.0	344.4	361.3	327.1	339.9	354.2
Los Angeles	--	--	--	320.1	334.2	350.1	318.6	330.6	344.4
San Diego	--	--	--	373.9	393.5	414.9	368.6	384.0	400.6
San Francisco	--	--	--	334.3	351.3	369.0	332.6	346.5	361.0
Rent, Residential	264.2	277.3	290.8	--	--	--	--	--	--
Los Angeles	--	--	--	319.0	343.9	368.0	322.9	334.6	347.0
San Diego	--	--	--	346.9	373.7	400.7	416.3	425.9	441.2
San Francisco	--	--	--	333.4	362.7	392.7	325.9	342.2	359.3
Homeowners' Costs	113.1	118.4	123.6	--	--	--	--	--	--
Los Angeles	--	--	--	117.0	125.4	134.5	311.1	326.6	342.9
San Diego	--	--	--	129.1	141.1	154.9	331.8	348.4	366.2
San Francisco	--	--	--	123.4	133.8	144.8	120.9	126.9	133.3

TABLE 2
CALENDAR YEAR PERCENT CHANGES
FOR SELECTED CONSUMER PRICE INDEX COMPONENTS
1985-87

INDEX	U.S. FORECAST			CALIFORNIA FORECAST			ADJUSTED CALIFORNIA FORECAST		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
All Items	3.5	3.6	4.2	4.7	4.7	4.9	4.1	3.9	4.2
Los Angeles	--	--	--	4.6	4.4	4.8	4.1	3.8	4.2
San Diego	--	--	--	5.6	5.2	5.4	4.1	4.2	4.3
San Francisco	--	--	--	4.5	5.1	5.0	4.0	4.2	4.2
Rent, Residential	6.0	5.0	4.9	--	--	--	--	--	--
Los Angeles	--	--	--	8.2	7.8	7.0	5.5	5.0	5.0
San Diego	--	--	--	10.6	7.7	7.2	5.9	5.0	5.1
San Francisco	--	--	--	8.1	8.8	8.3	5.7	5.0	5.0
Homeowners' Costs	5.4	4.7	4.4	--	--	--	--	--	--
Los Angeles	--	--	--	6.4	7.2	7.3	5.1	5.0	5.0
San Diego	--	--	--	12.6	9.3	9.8	6.6	4.9	5.2
San Francisco	--	--	--	7.5	8.4	8.2	5.3	5.0	5.0

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

Data are plotted either monthly or quarterly. The Arabic numeral in the right hand corner of each graph indicates the latest month or quarter for which the data are plotted (e.g.: 1 = January or first quarter). The basic data tables indicate the frequency of each of the series plotted.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census, Technical Paper No. 15, The X-11 Variant of the Census Method II, Seasonal Adjustment Program (November 1965.)

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's publication, Business Cycle Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hours series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

Manufacturing Employment

This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable Sales

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but will be of interest to persons looking at overall economic developments.

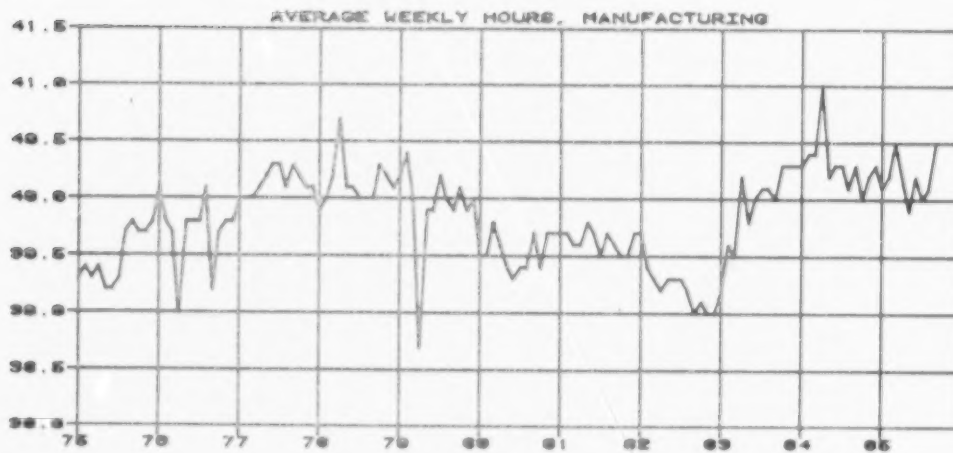
Standard Abbreviations

n.a. Not available	p Preliminary
e Estimate	r Revised

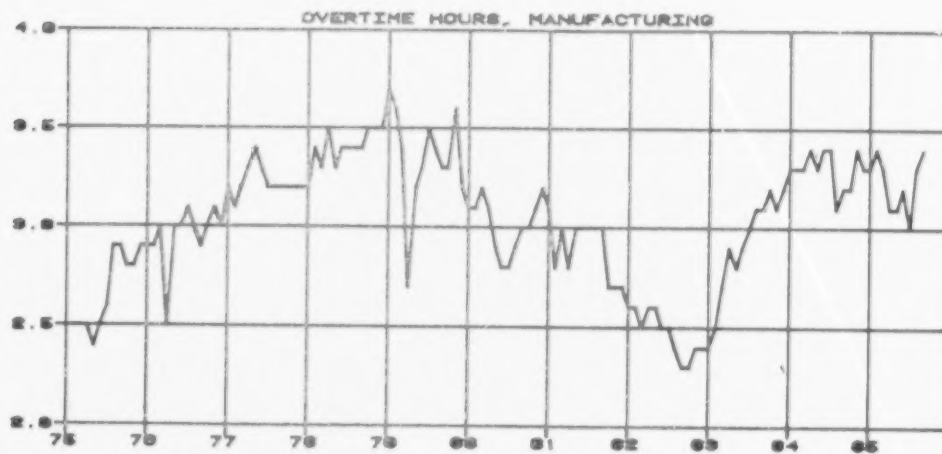
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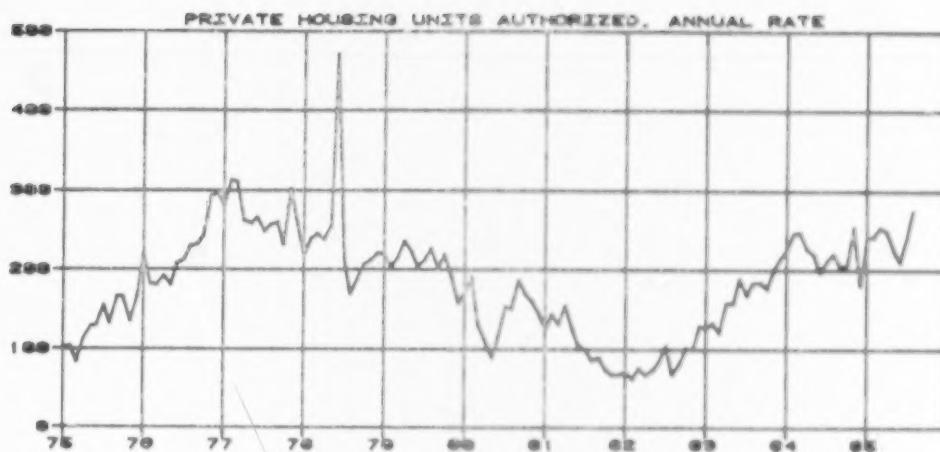
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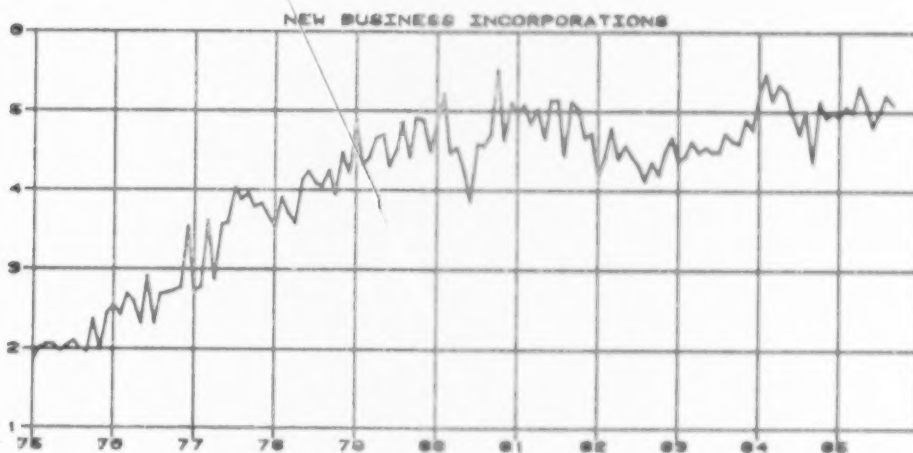
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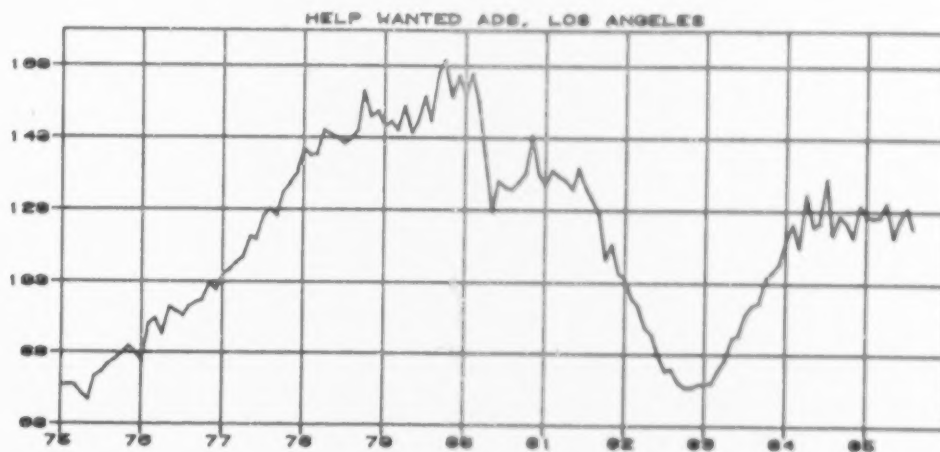
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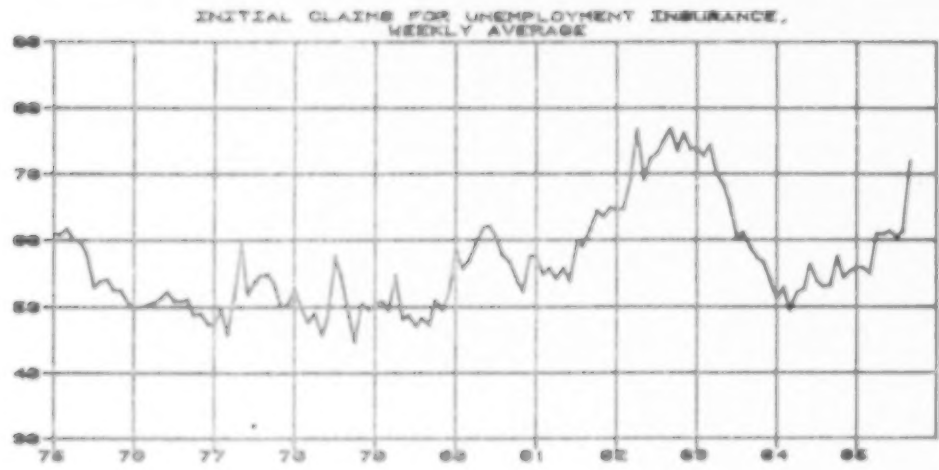
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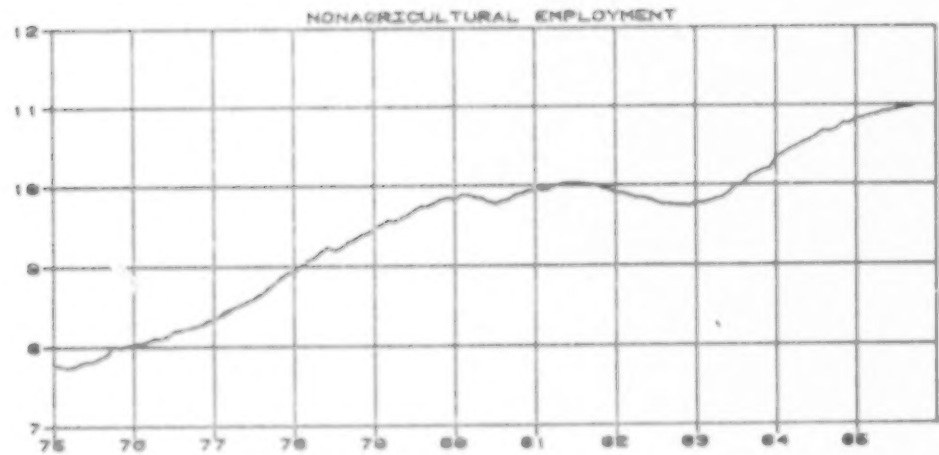
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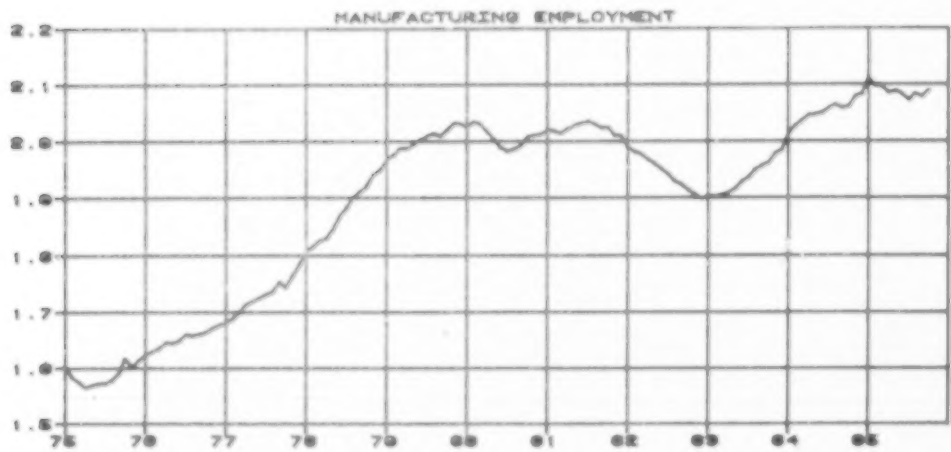
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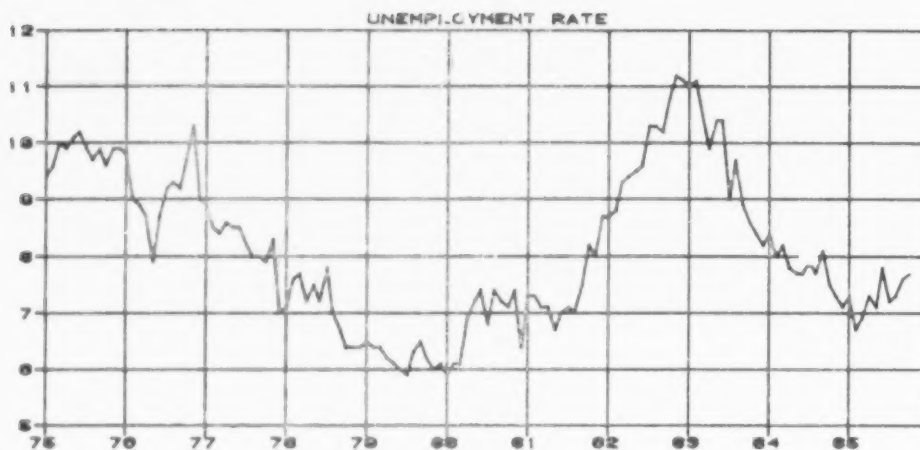
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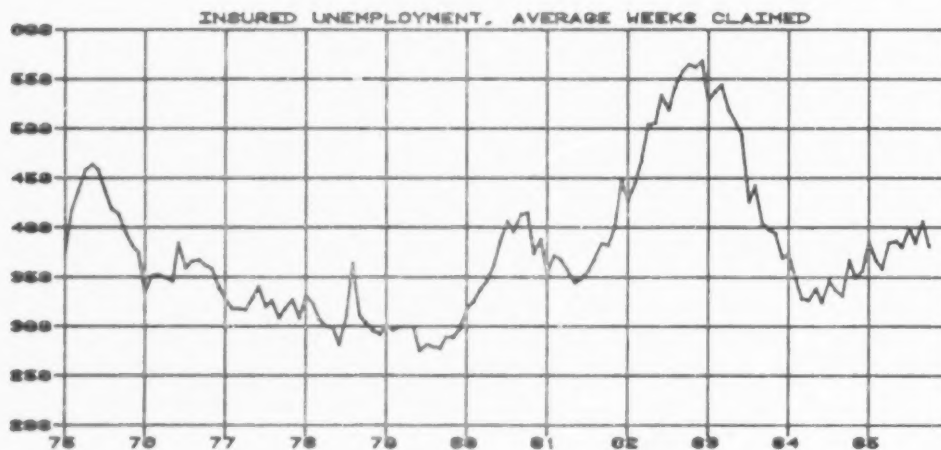
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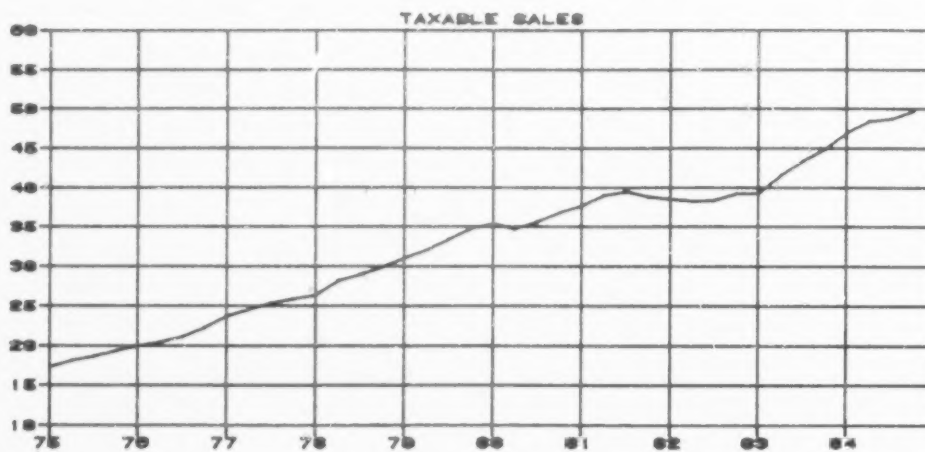
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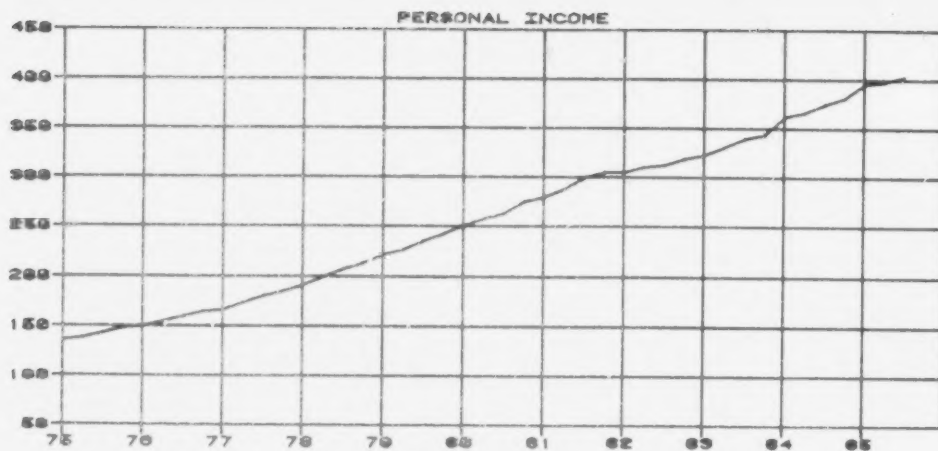
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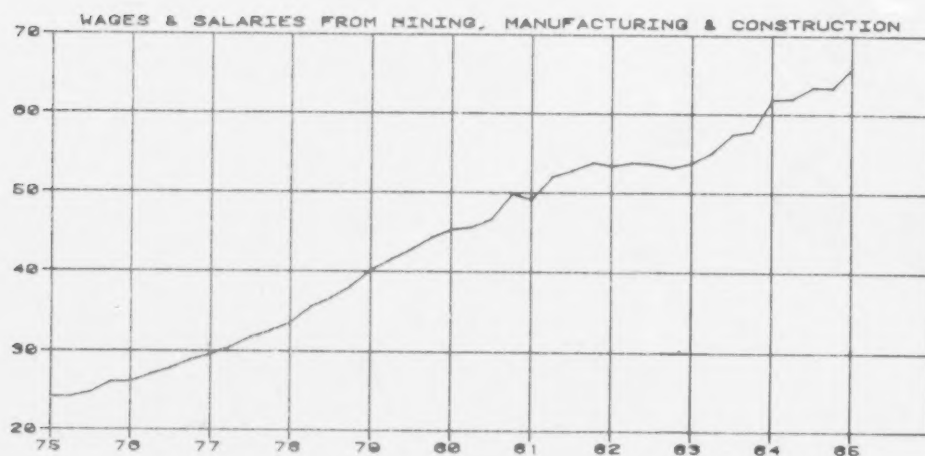
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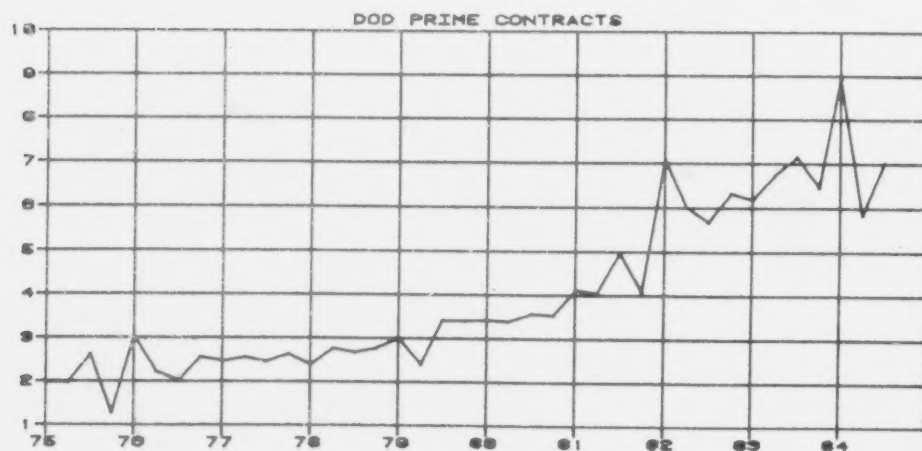
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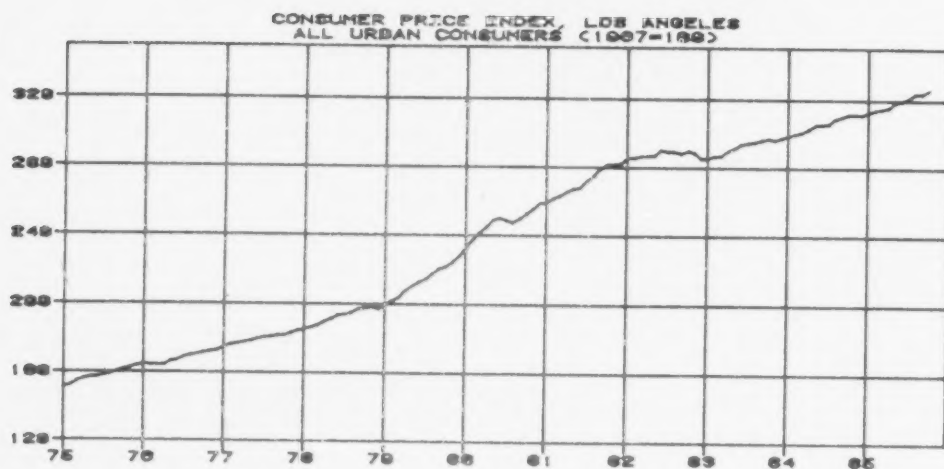
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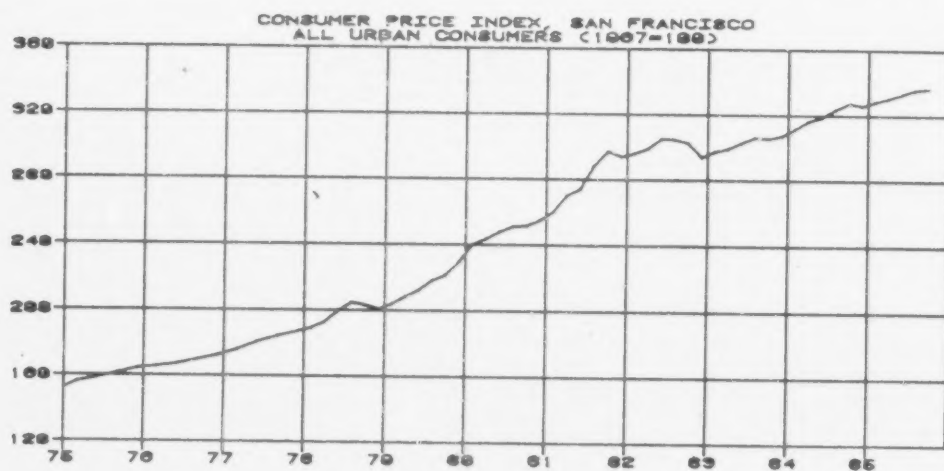
BILLION DOLLARS



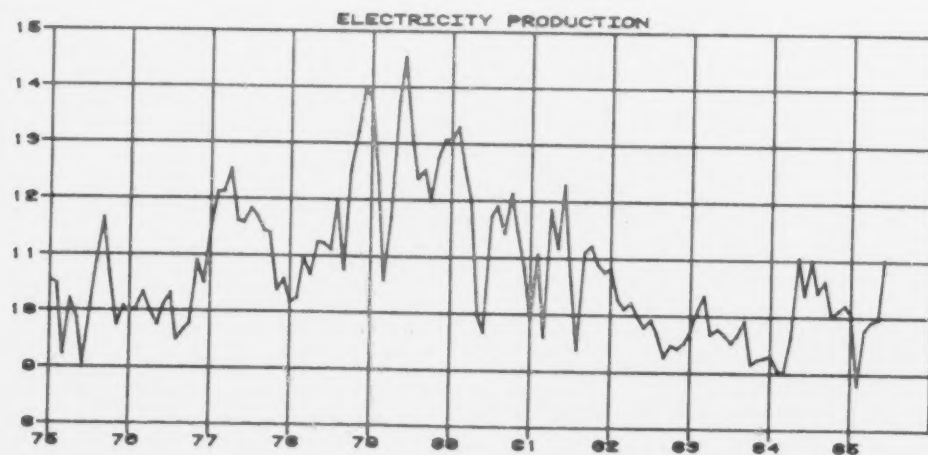
XRDZM



XRDZM



XRDZM



BASIC DATA FOR CALIFORNIA ECONOMIC SERIES
(Seasonally Adjusted Except as Noted)

Seasonally Adjusted (Except as Noted)							
Year and Month	Index of Leading Indicators (1972=100)	Average Weekly Hours, Manufac- turing	Leading Indicators		Overtime Hours Manufac- turing	Total Housing Units Authorized (thousands)	New Business Incorporations
			Help Wanted Ads-- Los Angeles Area (thousands)	Initial Claims for Unemployment Insurance Weekly Avg. (thousands)			
1981							
April	130.1	39.6	128.4	54.4	2.7	158.5	5,037
May	129.6	39.8	126.0	55.8	3.0	131.0	4,662
June	130.2	39.7	131.9	54.0	3.0	109.5	5,139
July	128.3	39.5	126.4	59.5	3.0	96.2	5,153
August	127.5	39.7	123.3	59.2	3.0	86.3	4,451
September	125.7	39.6	119.4	61.7	3.0	83.6	5,126
October	122.4	39.5	106.5	64.4	2.7	68.1	5,033
November	122.3	39.5	110.7	63.6	2.7	64.5	4,674
December	121.8	39.7	102.6	64.9	2.7	67.7	4,730
1982							
January	120.9	39.7	101.2	64.5	2.6	72.4	4,184
February	119.6	39.4	95.7	64.8	2.6	66.0	4,438
March	118.7	39.3	93.5	69.1	2.5	74.3	4,794
April	117.9	39.2	87.6	76.8	2.5	70.3	4,407
May	119.1	39.3	85.3	69.1	2.6	78.1	4,575
June	117.2	39.3	80.1	72.3	2.5	90.9	4,445
July	116.9	39.3	75.2	73.2	2.4	101.0	4,312
August	115.2	39.2	75.8	74.9	2.4	68.5	4,128
September	115.7	39.0	72.3	76.9	2.3	73.4	4,358
October	117.2	39.1	70.7	73.4	2.4	88.7	4,200
November	118.0	39.0	70.8	76.2	2.4	93.4	4,498
December	119.2	39.0	71.6	73.8	2.4	127.5	4,674
1983							
January	119.9	39.2	71.7	73.8	2.4	130.9	4,375
February	121.9	39.6	71.9	72.7	2.5	141.7	4,444
March	123.3	39.5	75.4	74.5	2.7	116.9	4,619
April	127.5	40.1	78.6	70.0	2.8	160.1	4,486
May	128.0	39.8	84.4	68.2	2.8	167.1	4,548
June	129.5	39.9	85.4	65.5	2.9	208.4	4,496
July	130.9	40.0	91.2	60.4	2.9	157.3	4,491
August	131.9	40.1	93.6	61.2	3.1	174.6	4,732
September	132.5	40.0	94.6	59.0	3.1	158.9	4,633
October	134.0	40.3	101.3	57.4	3.3	145.8	4,602
November	134.2	40.3	103.1	56.8	3.1	186.3	4,901
December	135.5	40.2	105.6	54.0	3.2	215.5	4,775
1984							
January	137.9	40.3	112.0	49.5	3.3	235.8	5,204
February	137.8	40.4	117.4	52.8	3.3	250.9	5,473
March	138.0	40.4	110.0	49.1	3.3	244.7	5,148
April	140.4	41.0	125.2	52.3	3.4	230.0	5,337
May	137.3	40.2	117.2	52.5	3.3	215.0	5,241
June	136.3	40.3	117.2	56.4	3.4	206.8	4,987
July	137.7	40.3	130.0	53.4	3.4	200.7	4,729
August	136.4	40.1	113.7	53.2	3.1	216.1	5,015
September	137.0	40.3	118.6	53.5	3.2	174.4	4,367
October	135.6	40.0	114.8	58.6	3.2	191.5	5,132
November	137.6	40.2	111.2	55.4	3.4	256.9	4,921
December	137.2	40.3	120.9	55.9	3.3	177.6	4,993
1985							
January	137.8	40.1	118.8	56.0	3.3	241.0	4,938
February	139.1	40.2	118.2	55.8	3.4	242.2	5,062
March	139.1	40.5	118.7	55.1	3.3	254.0	4,995
April	137.6	40.2	122.5	61.0	3.1	249.5	5,316
May	135.9	39.9	112.9	60.9	3.1	224.1	5,087
June	136.9	40.2	117.7	61.4	3.2	210.3	4,816
July	137.0	40.0	121.2	60.5	3.0	242.0	5,007
August	137.2	40.1	115.5	61.5	3.3	275.6	5,204
September	138.4	40.5	124.6	72.2	3.4		5,094

a/ Annual rate basis.

BASIC DATA FOR CALIFORNIA ECONOMIC SERIES (Continued)
(Seasonally Adjusted Except as Noted)

Year and Month	Coincident Indicators					Other Indicators	
	Nonagri- cultural Employment (thousands)	Wages and Salaries in Mining, Manu- facturing and Construction (mil dol.) a/	Unemploy- ment Rate	Insured Unemployment Average Weeks Claimed (thousands)	Personal Income (mil dol.) a/	Taxable Sales (mil dol.) a/	Manufac- turing Employment (thousands)
<u>1981</u>							
April	9,996.9		7.1	357			2,023.6
May	10,011.1	51,807	6.6	344	287,721	39,014	2,030.3
June	10,025.6		6.9	348			2,031.7
July	10,020.1		7.3	356			2,035.1
August	10,017.6	52,737	6.9	367	300,325	39,464	2,031.0
September	10,003.0		7.6	384			2,024.2
October	10,004.0		8.2	382			2,025.3
November	9,964.9	54,052	8.0	400	305,795	38,858	2,010.7
December	9,953.0		8.7	448			2,009.5
<u>1982</u>							
January	9,901.7		8.7	428			1,990.3
February	9,897.2	53,629	8.8	445	305,568 r/	38,538	1,982.5
March	9,875.0		9.3	467			1,977.6
April	9,844.5		9.4	504			1,968.7
May	9,835.5	53,676	9.5	506	310,474 r/	38,309	1,959.3
June	9,821.2		9.6	534			1,951.0
July	9,786.7		10.3	519			1,941.6
August	9,757.4	53,277	10.3	542	312,794 r/	38,354	1,930.2
September	9,756.8		10.2	557			1,923.0
October	9,745.5		10.8	565			1,913.7
November	9,744.0	53,342	11.2	562	318,984 r/	39,293	1,905.8
December	9,736.5		11.1	568			1,899.3
<u>1983</u>							
January	9,782.8		11.0	529			1,903.4
February	9,778.3	53,824	11.1	538	323,182 r/	39,269	1,904.4
March	9,796.1		10.5	544			1,905.8
April	9,828.3		9.9	519			1,909.1
May	9,855.1	55,174	10.4	506	330,703 r/	41,515	1,917.6
June	9,907.0		10.4	494			1,928.4
July	9,993.8		9.0	426			1,937.2
August	9,998.0	57,427	9.7	443	339,773 r/	43,357	1,948.9
September	10,103.2		8.9	404			1,956.9
October	10,140.4		8.6	398			1,963.1
November	10,187.2	57,812	8.4	394	343,942 r/	44,943	1,978.4
December	10,204.8		8.2	369			1,985.2
<u>1984</u>							
January	10,339.2		8.4	374			2,013.9
February	10,396.9	61,906	8.0	349	362,008 r/	46,934	2,027.7
March	10,444.6		8.2	328			2,036.2
April	10,482.9		7.8	326			2,045.6
May	10,533.1	61,946	7.7	338	366,608 r/	48,455	2,047.5
June	10,569.9		7.7	324			2,050.0
July	10,626.0		7.9	346			2,059.8
August	10,679.4	63,481	7.7	337	375,086 r/	48,772	2,064.6
September	10,669.5		8.1	330			2,059.0
October	10,708.3		7.5	367			2,062.6
November	10,777.7	63,389	7.3	349	381,106 r/	49,692	2,079.3
December	10,780.6		7.1	356			2,084.1
<u>1985</u>							
January	10,829.5r/		7.3	386			2,111.2r/
February	10,840.0r/	65,837	6.7	367	395,360 r/		2,098.0r/
March	10,872.6r/		6.9	358			2,097.5r/
April	10,889.2r/		7.3	385			2,085.8r/
May	10,923.1r/		7.1	387	398,002 r/		2,088.6r/
June	10,932.6r/		7.8	380			2,084.1r/
July	10,951.3r/		7.2	400			2,073.3r/
August	10,967.9		7.3	385	403,316		2,083.8r/
September	10,980.4		7.6	406			2,078.1
October	11,008.3		7.7	380			2,090.6

a/Annual rate basis.

r/Revised

(Seasonally Adjusted Except as Noted)
Other Indicators

Year and Month	DOD Prime Contracts (mil dol.) ^{a/}	Consumer Price Index (1967=100) ^{b/}				Net New S&L Savings ^{b/} (mil dol.)	Electricity Production (mil KWH)
		San Francisco		Los Angeles			
		Wage Earner and Clerical Worker	ATT Urban	Wage Earner and Clerical Worker	ATT Urban		
<u>1981</u>							
July		--	--	276.3	272.2	-1,019	10,527
August	4,979	287.2	287.9	278.6	274.8	-1,015	9,394
September		--	--	282.9	279.3	-540	11,112
October		295.6	297.0	284.9	281.3	667	11,222
November	4,078	--	--	285.3	281.6	-384	10,897
December		292.7	294.0	285.9	282.1	-109	10,754
<u>1982</u>							
January		--	--	289.6	285.6	384	10,823
February	7,080	294.9	295.8	289.2	285.4	172	10,285
March		--	--	290.2	286.4	-180	10,114
April		297.8	298.8	290.3	286.6	-1,084	10,223
May	6,020	--	--	290.6	287.1	-46	9,973
June		303.4	304.6	293.9	290.1	-1,139	9,795
July		--	--	293.0	289.3	-142	9,916
August	5,683	302.8	304.3	292.8	289.1	-411	9,676
September		--	--	291.7	288.2	78	9,275
October		301.3	302.4	292.8	289.5	-614	9,471
November	6,326	--	--	291.6	288.5	779	9,413
December		293.6	293.9	288.0	285.3	3,492	9,515
<u>1983</u>							
January		--	--	288.0	285.6	5,803	9,731
February	6,173	293.9	297.3	290.1	286.8	2,738	10,094
March		--	--	289.6	287.1	1,992	10,360
April		294.7	299.3	290.2	289.5	2,301	9,683
May	6,740	--	--	292.1	292.0	2,381	9,767
June		298.6	303.0	292.1	293.6	1,043	9,675
July		--	--	293.2	294.5	2,066	9,533
August	7,157	301.6	306.0	293.7	295.2	3,207	9,658
September		--	--	296.7	296.4	3,476	9,920
October		301.4	305.7	299.0	297.0	1,678	9,155
November	6,462	--	--	297.8	296.5	273	9,231
December		306.1	307.3	299.9	297.7	2,227	9,269
<u>1984</u>							
January		--	--	297.9	299.1	3,508	9,318
February	8,930	308.7	311.7	299.0	300.2	1,754	9,066
March		--	--	297.9	300.7	3,167	9,001
April		311.1	316.4	298.9	302.8	3,393	9,618
May	5,843	--	--	303.1	305.4	5,312	11,054
June		315.1	318.7	303.4	305.6	3,322	10,385
July		--	--	300.3	305.9	3,244	11,006
August	7,045	322.7	323.4	305.1	308.6	-971	10,425
September		--	--	304.2	310.2	-160	10,633
October		319.3	327.5	302.5	311.9	2,260	10,012
November		--	--	304.2	311.8	1,434	10,108
December		321.5	325.8	306.5	311.1	2,093	10,205
<u>1985</u>							
January		--	--	308.1	313.0	917	10,046
February		324.2	328.7	309.1	314.1	-2,350	8,800
March		--	--	309.8	314.7	-585	9,774
April		326.1	330.4	311.2	315.9	-593	9,908
May		--	--	314.1	319.1	838	9,972
June		328.7	333.2	314.1	319.3	-1,877	11,025
July		--	--	315.8	321.3		
August		330.8	335.8	318.0	323.9		
September		--	--	317.7	323.8		
October		331.0	336.7	320.0	326.1		

^{a/}Quarterly data.

^{b/}Not adjusted for seasonal variation.

^{r/}Revised.

FR:0163C3

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

<u>1969</u>		<u>1970--Continued</u>	
January 1	Social security contribution rate increased to combined 9.6 percent.	November 10	Discount rate reduced from 6 percent to 5-3/4 percent.
January 7	Prime rate raised from 6-3/4 percent to 7 percent.	November 12	Prime rate reduced from 7-1/2 percent to 7-1/4 percent.
January 24	FHA interest rate raised from 6-3/4 percent to 7-1/2 percent.	November 23	Prime rate reduced from 7-1/4 percent to 7 percent.
March 17	Prime rate raised from 7 percent to 7-1/2 percent.	December 1	Discount rate reduced from 5-3/4 percent to 5-1/2 percent. FHA interest rate reduced from 8-1/2 percent to 8 percent.
April 3	Discount rate raised from 5-1/2 percent to 6 percent; reserve requirement raised.	December 20	13-week extended duration unemployment benefits in effect.
June 9	Prime rate raised from 7-1/2 percent to 8-1/2 percent.	December 22	Prime rate reduced from 7 percent to 6-3/4 percent.
June 12	Required liquidity reserves of savings and loan associations lowered from 6-1/2 percent to 6 percent.	<u>1971</u>	
October 27-February 1970	General Electric strike.	January 6	Prime rate reduced from 6-3/4 percent to 6-1/2 percent.
<u>1970</u>		January 8	Discount rate reduced from 5-1/2 percent to 5-1/4 percent.
January 1	Personal income tax surcharge reduced to 5 percent. Withholding cut.	January 12	FHA interest rate reduced from 8 percent to 7-1/2 percent.
January 5	FHA interest rate raised from 7-1/2 percent to 8-1/2 percent.	January 15	Prime rate reduced from 6-1/2 percent to 6-1/4 percent.
January 21	Increased schedule of interest rates on time deposits and certificates of deposit in effect.	January 18	Prime rate reduced from 6-1/4 percent to 6 percent.
March 25	Prime rate reduced from 8-1/2 percent to 8 percent.	January 19	Discount rate reduced from 5-1/4 percent to 5 percent.
April 2-June 2	Teamster strike.	February 4	Rolls Royce bankruptcy announced.
May 6	Stock margin requirement cut from 80 percent to 65 percent.	February 9	Los Angeles earthquake.
July 1	Personal income tax surcharge removed.	February 12	Discount rate reduced from 5 percent to 4-3/4 percent.
September 14-November 23	UAW strike against GM.	February 16	Prime rate reduced from 6 percent to 5-3/4 percent.
September 22	Prime rate reduced from 8 percent to 7-1/2 percent.	February 23	Davis Bacon Act regulating construction wages on Federal projects suspended. Suspension revoked on March 29. Wage-price curbs ordered.

CHRONOLOGY--Continued

1971--Continued

March 16 Prime rate reduced from 5-3/4 percent to 5-1/2 percent.

March 17 Social security bill signed. Benefits raised 10 percent, retroactive to January 1, 1971. Contribution base raised to \$9,000 effective January 1, 1972.

March 25 SST program terminated.

April 1 Interest rates on savings accounts in California banks generally reduced from 4-1/2 percent to 4 percent.

April 23 Prime rate raised from 5-1/4 percent to 5-1/2 percent.

May 1 Liquidity ratio for savings and loan associations raised from 6-1/2 percent to 7-1/2 percent.

May 17-18 Rail strike.

June 1-July 27 Communications workers strike against Western Union.

June 15-21 Prime rate increased from 5-1/2 percent to 5-3/4 percent. General rise to 6 percent on July 7.

June 29-July 16 Northern California construction strike.

July 1-October 6 West Coast dock strike.¹

July 14-August 2 Telephone strike.

July 15 Discount rate raised from 4-3/4 percent to 5 percent.

July 16-August 2 Rail strike.

July 31 Steel strike averted by accord on contract.

August 2 Lockheed loan guarantee approval.

August 3 Teamsters walkout in Northern California against building contractors.

August 15-November 13 President's economic policy message; 90-day wage-price freeze in effect.

October 1 East and Gulf Coast longshoremen's strike.

October 20 Prime rate reduced from 6 percent to 5-3/4 percent. Further reduction to 5-1/2 percent on November 4.

1971--Continued

November 11 Discount rate reduced from 5 percent to 4-3/4 percent.

November 14 Phase II of NEP in effect.

December 6 Stock margin requirements cut from 65 percent to 55 percent.

December 10 Revenue Act of 1971 signed into law.

December 13 Discount rate reduced from 4-3/4 percent to 4-1/2 percent. Prime rate lowered from 5-1/2 percent to 5-1/4 percent.*

Intent to devalue U.S. dollar announced.

1972

January 17-February 20 West Coast dock strike continued.

February 1-March 15 Kaiser Steel Company strike.

July 1 20 percent increase in social security benefits signed into law. Effective September.

September 11 Opening of BART Fremont-Oakland line.

September 21 "Friends of Mammoth" decision.

November 24 Stock margin requirements raised to 65 percent.

1973

January 11 Phase III of NEP in effect.

January 15 Discount rate raised from 4-1/2 percent to 5 percent.

January 27 Viet Nam cease fire signed.

January 29 Opening of BART Richmond-Oakland line.

February 12 10 percent devaluation of U.S. dollar announced.

March 2 Major foreign currency exchanges closed.

March 29 Price controls of meat announced.

* Adoption of a floating prime rate in November 1971 has resulted in frequent minor adjustments in the rate. Information on the range of rates at any one time and the rate charged by the majority of commercial banks may be obtained from the Federal Reserve Bulletin.

CHRONOLOGY--Continued

1973

April 9-13 Consumer meat boycott.

April 23 Discount rate raised from 5-1/2 percent to 5-3/4 percent.

May 10 Discount rate raised from 5-3/4 percent to 6 percent.

June 11 Discount rate raised from 6 percent to 6-1/2 percent.

June 14 60-day price freeze announced.

July 2 Discount rate raised from 6-1/2 percent to 7 percent. Increased reserve requirement on net demand deposits.

July 6 Interest rates increased: FHA mortgage rate: 7 percent to 7-3/4 percent; bank savings rate: 4-1/2 percent to 5 percent; savings and loan rate: 5 percent to 5-1/4 percent.

July 18 Phase IV announced.

August 27 Prime rate at 9-3/4 percent in major institutions.

October 17 Arab nations announce reductions in oil shipment.

November 5-December 18 TWA strike.

1974

January 3 Stock margin requirements cut from 65 percent to 50 percent.

February 1-11 Independent truckers strike, midwest and east coast.

February 15 Prime rate reduced to 9 percent.

February 22 Prime rate reduced to 8-3/4 percent.

March 4 California minimum wage increased to \$2.00 per hour from \$1.65.

March 18 Arab oil embargo lifted.

March 27 Prime rate increased to 9 percent from 8-3/4 percent.

March 28 Prime rate further increased to 9-1/2 percent.

April 25 Federal Reserve raised discount rate to 8 percent from 7-1/2 percent.

April 29 Prime rate up to 10-3/4 percent.

1974--Continued

April 30 Phase IV controls lifted in approximately 165 sectors of the economy.

June 17-August 4 San Diego construction strike.

June 17-July 21 Northern California construction strike.

July 1-Mid-August Southern California construction strike.

July 1 Transit strikes, San Francisco Bay Area.

August 2-October 21 Los Angeles area transit strike.

August 8 Resignation of President Nixon announced.

August 14 FHA mortgage rate raised to 9-1/2 percent.

Prime rate reduced from 12 percent to 11-3/4 percent on limited basis. Prevailing rate on date of major changes:

October 21....11 1/2 percent
October 28....11 1/4 percent
November 4....11 percent
November 14....10 3/4 percent
November 25....10 1/2 percent

October 8 Prime rate reduced from 12 percent to 11-3/4 percent by several more large banks.

November 12-December 9

December 9 Discount rate reduced from 8 percent to 7-3/4 percent.

1975

January 6 Federal Reserve discount rate cut from 7-3/4 percent to 7-1/4 percent.

January 10 Oil Chemical Atomic Workers Union strike.

January 13 Prime rate reduced to 10 percent. Further major cuts as follows:

January 21.....9 3/4 percent
January 31.....9 percent
February 6.....8 3/4 percent
February 19.....8 1/2 percent
March 3.....8 1/4 percent
March 8.....8 percent

January 21 FHA mortgage rate reduced from 9 percent to 8-1/2 percent.

February 5 Federal Reserve discount rate cut from 7-1/4 percent to 6-3/4 percent.

CHRONOLOGY--Continued

1975--Continued

March 10 Federal Reserve discount rate cut from 6-3/4 percent to 6-1/4 percent.

March 24 Prime rate reduced to 7-1/2 percent by most major banks.

March 25 King Faisal assassinated.

March 29 Tax reduction act signed into law.

May 19 Prime rate reduced to 7-1/4 percent by several major banks.

June 10 Prime rate reduced to 7 percent by most banks.

July 18 Prime rate increased to 7-1/4 percent. Further gains as follows:
 July 25.....7-1/2 percent
 August 11.....7-3/4 percent
 September 15....8 percent

September 1 National Airlines strike.

October 16 Reserve requirement on time deposits reduced from 3 percent to 1 percent.

October 24 Prime rate reduced to 7-3/4 percent. Further reductions as follows:
 October 31.....7-1/2 percent
 November 21.....7-1/4 percent

December 5-19 United Airlines strike.

1976

January 12 Prime rate lowered to 7 percent.

January 19 Federal Reserve discount rate lowered from 6 percent to 5-1/2 percent.

January 21 Prime rate reduced to 6-3/4 percent.

April 1-3 Teamsters strike.

April 9-June 4 Prime rate moving upward, 6-3/4 percent to 7-1/4 percent at most major banks.

April 21 Rubber workers strike.

July 20-August 2 Cannery workers strike.

August 2 Prime rate reduced to 7 percent. Further reductions as follows:
 October 4.....6-3/4 percent
 October 29.....6-1/2 percent
 December 10....6-1/4 percent

1976--Continued

September 15-October 13 Auto workers strike.

October 18 California minimum wage raised to \$2.50 per hour.

December 22 Prime rate reduced to 6 percent by Chase Manhattan Bank. Most banks maintain a prime rate of 6-1/4 percent.

1977

May 16 Prime rate raised to 6-1/2 percent.

May 31 Prime rate raised to 6-3/4 percent.

August 22 Prime rate raised to 7 percent.

August 30 Federal Reserve discount rate raised from 5-1/4 percent to 5-3/4 percent, the first increase since April 1974.

September 16 Prime rate raised to 7-1/4 percent.

October 1-November 24 Longshoremen's strike against East and Gulf Coast ports.

October 7 Prime rate raised to 7-1/2 percent.

October 10-January 4 IAM-Lockheed strike.

October 24 Prime rate raised from 7-1/2 percent to 7-3/4 percent.

October 26 Discount rate raised from 5-3/4 percent to 6 percent.

December 6-March 24 United Mine Workers strike.

1978

January 1 U.S. minimum wage increased to \$2.65 per hour.

January 9 Discount rate raised from 6 percent to 6-1/2 percent.

January 10 Prime rate raised to 8 percent.

February 28 FHA mortgage rate raised from 8-1/2 percent to 8-3/4 percent.

April 1 California minimum wage increased from \$2.50 to \$2.65 per hour.

April 1-May 28 United Airlines strike.

May 4 Prime rate raised from 8 percent to 8-1/4 percent.

CHRONOLOGY--Continued

1978--Continued

May 8 California savings and loan associations raised mortgage rates from 9-3/4 percent to 10 percent.

May 12 Discount rate raised to 7 percent.

May 23 Federal funds rate increased to 7-1/2 percent.
FHA-VA mortgage rate raised from 8-3/4 percent to 9 percent.

May 26 Prime rate raised from 8-1/4 percent to 8-1/2 percent.

June 6 Proposition 13 approved by California voters.

June 16 Prime rate raised to 8-3/4 percent.

June 20 OPEC announced a freeze on crude oil prices until December 16.

June 22 Federal funds rate raised from 7-1/2 percent to 7-3/4 percent.

June 29 FHA-VA mortgage rate raised to 9-1/2 percent.

June 30 Prime rate raised to 9 percent.

July 10 Discount rate raised to 7-1/4 percent.

July 18 Teamsters union strike affecting supermarkets throughout Northern California.

August 20 Retail clerks union strike in Southern California.

August 21 Discount rate raised to 7-3/4 percent.

August 29 Federal funds rate raised from 8-1/8 percent to 8-1/4 percent.

August 31 Prime rate raised by some eastern banks from 9 percent to 9-1/4 percent.

September 15 Prime rate raised to 9-1/2 percent.

September 22 Discount rate raised from 7-3/4 percent to 9-3/4 percent.

September 28 Prime rate raised from 9-1/2 percent to 9-3/4 percent.

1978--Continued

October 12 Prime rate raised from 9-3/4 percent to 10 percent.

October 15 Tax cut and energy bills passed by Congress.

October 16 Discount rate raised from 8 percent to 8-1/2 percent.

October 18 Federal funds rate raised from 8-3/4 percent to 8-7/8 percent.

October 24 Prime rate raised from 10 percent to 10-1/4 percent.
California mortgage rates raised from 10 percent to 10-1/4 percent at several savings and loan institutions.

October 24 Phase II announced: voluntary guidelines on wages and prices.

November 1 Discount rate raised from 8-1/2 percent to 9-1/2 percent.

November 3 Prime rate raised from 10-1/2 percent to 10-3/4 percent.

November 13 Prime rate raised from 10-3/4 percent to 11 percent.

November 24 Prime rate raised to 11-1/2 percent.

November 27 Federal funds rate raised from 9-3/4 percent to 9-7/8 percent.

December 4 Rollover for 6-month certificates of deposit (CDs) began this week.

December 19 Federal funds rate raised to 10 percent.

December 20 Prime rate raised to 11-3/4 percent.

1979

January 1 U.S. minimum wage increased to \$2.90 per hour.

January 13 Prime rate reduced to 11-1/2 percent.

March 15 Terms for MMCs changed. 1/4 point differential over 9 percent eliminated.

March 27 OPEC price increases: 9 percent. Selected surcharges imposed.

1979--Continued

March 31	United Airlines-machinist strike.
April 1-10	Teamsters strike.
May 7	Prime rate moved to 11-3/4 percent from 11-1/2 percent.
May 19	Federal funds rate set at 7-1/4 percent.
May 26	United Airlines strike ended.
May 30	Interest rate on conventional mortgages raised to 11-3/4 percent.
June 12	Prime rate reduced to 11-1/2 percent.
July 1	Interest rates on passbook accounts up to 5.5 percent at Savings and Loans and 5.25 percent for banks.
July 20	Discount rate raised from 9-1/2 percent to 10 percent.
August 16	Discount rate raised to 10-1/2 percent.
August 24	Federal funds rate raised from 11 percent to 11-1/4 percent.
August 26-September 10	Los Angeles Rapid Transit District strike.
August 28	Prime rate raised from 12 percent to 12-1/4 percent.
August 31-November 21	BART strike.
September 4	Federal funds rate raised from 11-1/4 percent.
October 6	Change in federal reserve policy announced.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.

1980--Continued

March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent from 13 percent.
June 4	Prime rate reduced to 13 percent.
June 12	Discount rate lowered to 11 percent. Prime rate reduced to 12-1/2 percent.
June 20	Prime rate reduced to 12 percent.
June 24	Prime rate reduced to 11-1/2 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.

CHRONOLOGY--Continued

1980--Continued

1981

July 28	Discount rate reduced to 10 percent.	January 1	Minimum wage raised from \$3.10 to \$3.35.
August 5	Prime rate raised to 11 percent.	January 6	Prime lowered to 20 percent.
August 27	Prime rate raised to 11-1/2 percent.	January 20	American hostages released from Iran.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.	January 20	Ronald Reagan inaugurated as 40th President of the U.S.
September 12	California mortgage rate raised from 13-1/2 percent to 13-3/4 percent.	January 28	Deregulation of oil and gas industry announced, effective immediately.
September 25	Pacific Southwest Airlines (PSA) pilots strike begins.	January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.	February 16	General Motors and Ford rebate plans announced.
October 2	Prime raised from 13 to 13-1/2 percent.	February 23	Prime rate lowered to 18 percent.
October 3	Prime raised to 14 percent.	March 2	Prime rate lowered to 18-1/2 percent.
October 15	AFTA workers return to work.	March 10	Prime rate lowered to 18 percent.
October 23	Screen Actors Guild strike ends.	March 16	Prime rate lowered to 17-1/2 percent.
October 30	Prime raised from 14 to 14-1/2 percent.	March 18	Prime rate lowered to 17 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.	March 26	United mine workers strike.
November 14	PSA pilots strike ends.	April 13	Prime rate raised to 17-1/2 percent.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.	April 29	Prime rate raised to 18 percent.
November 21	Prime raised to 17 percent.	May 4	Prime rate raised to 19 percent.
November 28	Prime raised to 17-3/4 percent.	May 5	Discount rate raised from 13 percent to 14 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.	May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.	May 11	Prime rate raised to 19-1/2 percent.
December 11	Prime raised to 20 percent.	May 22	Prime rate raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.	May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
December 23	Prime lowered from 21 to 20-1/2 percent.	June 5	Dollar reaches highest level in international trading since December 1971.

CHRONOLOGY--Continued

1981--(Continued)

June 8	Coal miners end 72 day strike and ratify a 40-month contract.
July 8	Prime rate raised to 20-1/2 percent.
August 3	Air traffic controller's strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent. Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at \$34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.
November 2	Fed discount rate cut from 14 percent to 13 percent. Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent. FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.

1981--(Continued)

December 12	Martial law imposed in Poland. <u>1982</u>
January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
January 27	Federal funds rate raised to 13-3/4 percent.
February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut back to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at \$34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.

CHRONOLOGY--Continued

1982--Continued

July 20 Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.

July 27 Prime rate lowered to 15-1/2 percent.

August 2 Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.

August 9 Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.

August 16 Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.

August 18 Dow Jones Industrial Average rose 38.81 points--an all-time record.

August 19 The stock market trading soared to a record 132,690,000 shares.

August 27 Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

September 19 National Football League players strike began.

Railroad strike involving locomotive engineers began.

September 23 Railroad strike ends.

September 24 FHA mortgage loan rate lowered from 14 percent to 13.5 percent.

October 7 Prime rate lowered to 13 percent.

October 12 Discount rate lowered from 10 percent to 9-1/2 percent.

October 15 Prime rate lowered to 12 percent.

November 1 General Motors reduces auto financing interest rate from 18.0 percent to 10.9 percent.

November 22 Discount rate cut from 9-1/2 percent to 9 percent.

November 23 Prime rate lowered from 12 percent to 11-1/2 percent.

1982 (Continued)

December 13 Discount rate cut to 8-1/2 percent.

December 14 Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5 Super NOW accounts introduced.

January 11 Prime rate lowered to 11 percent.

January 31 Independent truckers strike begins.

February 10 Independent truckers strike end.

February 15 Toyota/GM agreement to build a small car in late 1984.

February 25 Prime rate lowered to 10-1/2 percent.

March 14 OPEC sets \$29 per barrel benchmark price and production quota of 17.5 million barrels.

May 2 A 6.5 magnitude earthquake strikes the town of Coalinga.

June 8 The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.

June 18 Paul Volcker reappointed as Federal Reserve Board Chairman.

June 24 The Federal Budget deficit totalled a record \$29.29 billion in May.

July 7 The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.

July 13 Chrysler Corporation announced it will repay the remaining \$800 million in federally guaranteed loans by September, seven years before they are due.

July 25 The Washington Public Power Supply System defaulted on \$2.25 billion in bonds, creating the largest municipal default in U.S. history.

CHRONOLOGY--Continued

1983 (Continued)

August 1 California's \$1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling \$700 million, maturing next April and June, were oversubscribed.

August 2 The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.

August 7 The Communications Workers of America and two other unions strike AT&T.

August 8 Prime rate raised from 10-1/2 percent to 11 percent by most major banks.

August 23 The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.

August 28 AT&T strike ends.

September 1 Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Sakhalin, just north of Japan.

November 1 Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.

November 3 Strike against Greyhound Lines Inc. begins.

December 1 FHA mortgage interest rates begin to float. VA rates are still pegged.

December 21 Greyhound strike ends.

1984

January 3 Breakup of AT&T becomes effective.

February 2 Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.

March 19 Prime rate raised from 11 percent to 11-1/2 percent.

March 20 Maximum rate on VA loans raised from 12-1/2 to 13 percent.

1984 (Continued)

April 4 Prime rate raised from 11-1/2 percent to 12 percent.

April 9 Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.

May 5 Prime rate raised from 12 percent to 12-1/2 percent.

June 26 Prime rate raised from 12-1/2 percent to 13 percent.

September 3 - December 7 Hotel and restaurant strike - San Francisco.

September 15 - October 14 UAW-General Motors strike.

September 28 Prime rate reduced from 13 percent to 12-3/4 percent.

October 16 Prime rate reduced from 12-3/4 percent to 12-1/2 percent.

October 28 Prime rate reduced from 12-1/2 percent to 12 percent.

November 7 Prime rate reduced from 12 percent to 11-3/4 percent.

November 21 Discount rate reduced from 9 percent to 8-1/2 percent.

November 28 Prime rate reduced from 11-3/4 percent to 11-1/4 percent.

December 17 Prime rate reduced from 11-1/4 percent to 10-3/4 percent.

December 24 Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1 Federal price controls removed from approximately half of the natural gas produced in the United States.

January 15 Prime rate reduced from 10-3/4 percent to 10-1/2 percent.

March 9 Home State Savings Bank Cincinnati, Ohio closed.

March 15 Seventy Ohio thrift institutions closed to prevent run on deposits.

March 25 Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.

CHRONOLOGY--Continued

1985 (Continued)

May 2	Auto manufacturer's initiate low interest loan programs.
May 17- June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9 1/2 percent from 10 1/2 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22- October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.
August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its \$74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.

SOURCES OF STATISTICAL SERIES

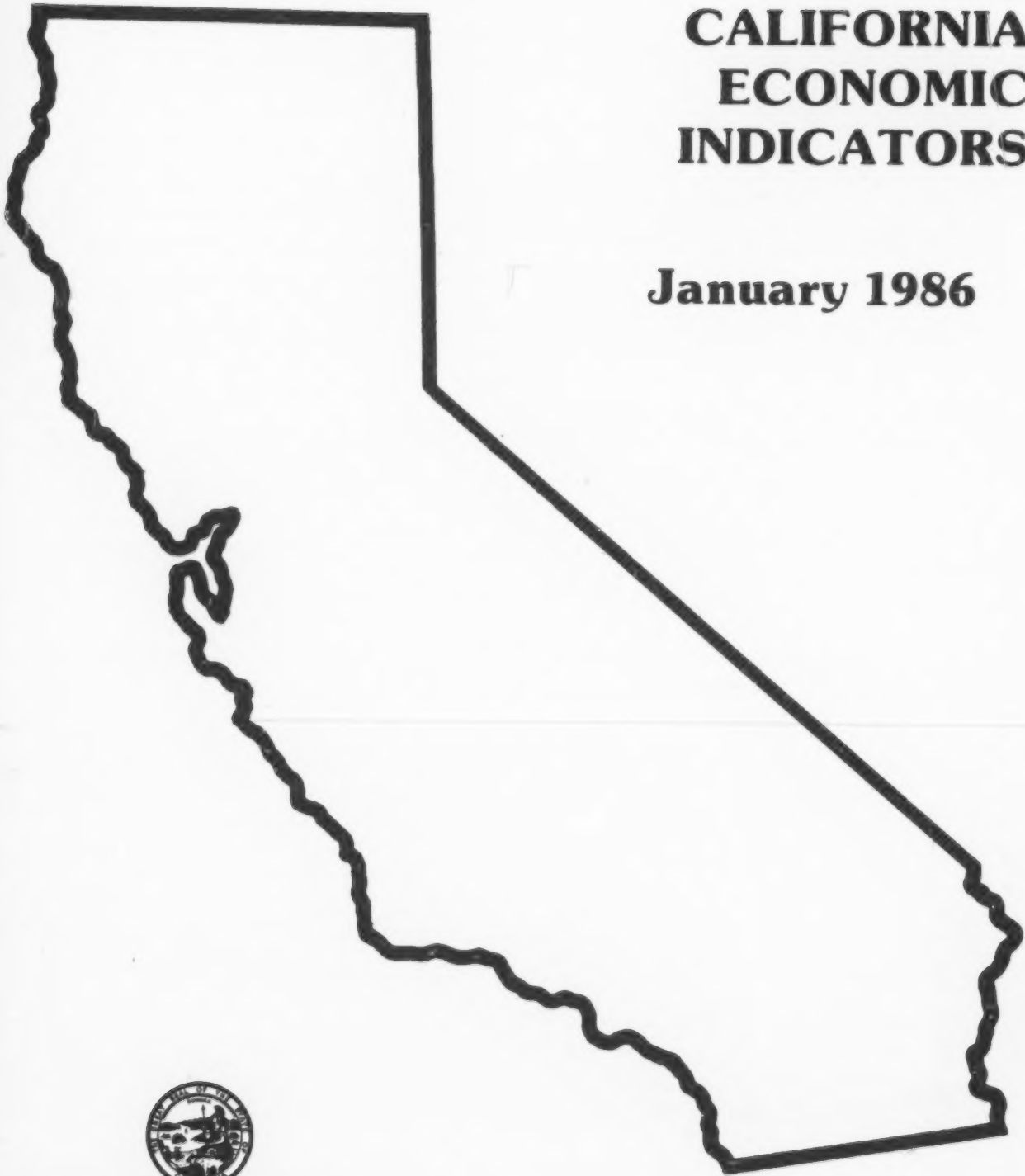
Employment Development Department Employment Data and Research	Civilian Employment Unemployment Unemployment rate Nonagricultural employment Manufacturing employment Hours and earnings Nonagricultural placements Initial claims for unemployment insurance Insured unemployment Index for production worker hours
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Index of leading indicators
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
Security Pacific National Bank	Housing units authorized Valuation of nonresidential construction
U.S. Department of Commerce	Retail sales
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
California Redwood Association	Lumber production
Conservation Committee of California Oil Producers	Petroleum production
American Iron and Steel Institute	Steel production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Federal Reserve Bank of San Francisco	Demand deposits Commercial and industrial loans

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

<u>Initial Trough</u>	<u>Peak</u>	<u>Terminal Trough</u>	<u>Expansion (months)</u>	<u>Contraction (months)</u>	<u>Total (months)</u>
Dec. 1854	June 1857	Dec. 1858	30	18	48
Dec. 1858	Oct. 1860	June 1861	22	8	30
June 1861	April 1865	Dec. 1867	46	32	78
Dec. 1867	June 1869	Dec. 1870	18	18	36
Dec. 1870	Oct. 1873	March 1879	34	65	99
March 1879	March 1882	May 1885	36	38	74
May 1885	March 1887	April 1888	22	13	35
April 1888	July 1890	May 1891	27	10	37
May 1891	Jan. 1893	June 1894	20	17	37
June 1894	Dec. 1895	June 1897	18	18	36
June 1897	June 1899	Dec. 1900	24	18	42
Dec. 1900	Sept. 1902	Aug. 1904	21	23	44
Aug. 1904	May 1907	June 1908	33	13	46
June 1908	Jan. 1910	Jan. 1912	19	24	43
Jan. 1912	Jan. 1913	Dec. 1914	12	23	35
Dec. 1914	Aug. 1918	March 1919	44	7	51
March 1919	Jan. 1920	July 1921	10	18	28
July 1921	May 1923	July 1924	22	14	36
July 1924	Oct. 1926	Nov. 1927	27	13	40
Nov. 1927	Aug. 1929	March 1933	21	43	64
March 1933	May 1937	June 1938	50	13	63
June 1938	Feb. 1945	Oct. 1945	80	8	88
Oct. 1945	Nov. 1948	Oct. 1949	37	11	48
Oct. 1949	July 1953	May 1954	45	10	55
May 1954	Aug. 1957	April 1958	39	8	47
April 1958	April 1960	Feb. 1961	24	10	34
Feb. 1961	Dec. 1969	Nov. 1970	106	11	117
Nov. 1970	Nov. 1973	March 1975	36	16	52
March 1975	Jan. 1980	July 1980	58	6	64
July 1980	July 1981	November 1982	12	16	28

CALIFORNIA ECONOMIC INDICATORS

January 1986



DEPARTMENT OF FINANCE

INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Census Bureau publication Business Conditions Digest, the report contains the following regular features:

- . review of economic developments
- . current California economic data table
- . economic indicator charts
- . basic data for California economic series
- . chronology of major economic events

Developments in California over the most recent months are reviewed in a brief text, and then summarized in a current data table which shows changes over the previous year. Charts containing monthly and quarterly series from 1972 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State economy. Much of the data in the report has been seasonally adjusted by the source agency or the Department of Finance.

Sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published. Finally, reference dates for U.S. business cycles, as determined by the National Bureau of Economic Research, are shown on the back of the publication.

The Department of Finance welcomes suggestions on additions or changes which would make the Indicators a more useful publication. Correspondence should be addressed to: State of California, Department of Finance, Financial Research Unit, 1025 P Street, Sacramento, CA 95814.

Subscriptions are \$8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

<u>Beginning Subscription Date</u>	<u>Prorated Amount Due</u>
January	\$8.00
March	6.75
May	5.40
July	4.05
September	2.70
November	1.35

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REVIEW OF ECONOMIC DEVELOPMENTS

The economic events of 1985 seem to reflect a period of adjustment, to an easing back in the rate of expansion. However, the year did not progress at an even pace. Overall economic growth fluctuated from quarter to quarter, and growth between sectors did not always follow similar patterns. Preliminary data indicate California's personal income rose 8.1 percent in 1985, and that the state's nonagricultural employment increased an estimated 3.3 percent. Housing authorizations now appear to have exceeded 245,000 units for the year. Retail sales should total approximately \$170 billion, with auto sales around 1.3 million units. The California Index of Leading Economic Indicators remains in the relatively narrow band which has prevailed for more than a year, with no clear trend. A look at the economic data for the last few months may reveal some insight as to what lies ahead for 1986.

The employment situation appears to have improved slightly at the end of the year. Between December of 1984 and December of 1985 civilian employment was up by 1.3 percent. This gain was accompanied by almost no change in the labor force, resulting in a drop in the unemployment rate to 6.5 percent. The rate for December 1985 was the lowest in five years. However, this series has been erratic historically. Large month-to-month swings in the level of the unemployment rate in California are common, and these fluctuations are difficult to interpret. On a quarterly or annual basis, though, the series has more meaning. It is interesting to note that although California's December unemployment rate was 0.4 percentage points lower than the national rate of 6.9 percent, the average rates for the U.S. and California in 1985 were the same at 7.2 percent. That is the lowest annual unemployment rate for the State since 1980.

In terms of nonagricultural wage and salary employment, the overall year-over-year increase of 2.4 percent brought the number of nonfarm workers in the State to 11,037,200 in December. The construction sector again saw the largest employment gains, with an increase of 7.2 percent. Increases in all other sectors were moderate by comparison. Even the trade and services sectors, which have both experienced rapid employment growth recently, gained only 2.0 and 3.2 percent, respectively.

The strength of the construction industry in California is reflected in the number of housing unit authorizations, as well as in the employment figures. The expected slowdown in activity after September's surge in permits did not occur to the extent anticipated. The number of housing permits issued in October and November was strong despite the September 15 surge due to changes in handicapped accessibility

regulations. Preliminary data indicate housing unit authorizations in November were at a 261,000 seasonally adjusted annual rate.

Nonresidential building authorizations were up 16.1 percent in October from the year earlier, at \$1.2 billion for the month. New commercial construction accounted for most of the nonresidential building activity in 1985, claiming nearly 50 percent of the value for permits. Permits for alterations and additions were 25 percent of the total valuation, and new industrial and other construction accounted for the rest.

Speculation about tax law changes along with lower interest rates, accounts for much of the strength in both residential and non-residential construction in 1985. There is much uncertainty about whether or not tax revisions will eliminate some existing tax shelters, and how soon changes may take place. Much of the construction activity in 1985 was in multiple housing units. Builders may be anticipating changes in federal tax laws limiting depreciation rates for multi-family units.

Price increases were generally moderate during 1985. The California Consumer Price Index rose to 328.7 for the year, up 4.6 percent from 1984. The biggest increases in prices occurred in residential rent, homeowners' costs, and medical care. Food prices moved up very little during the year. The pattern of inflation was similar in the U.S. as a whole, with only two major exceptions. Increases in residential rents and homeowners' costs were not as significant nationwide. As a result, the U.S. Consumer Price Index rose 3.6 percent in 1985. Inflation has now been at 5.0 percent or less for three years in a row.

In business, the number of new incorporations totaled 61,536 in 1985, up 1.8 percent from 1984. The number of help-wanted ads rose by 1.9 percent during the year. Data on business failures and liabilities have recently become available again, and reflect the growth occurring in business. Final year-to-date figures through August show the number of business failures in California to be down 2.0 percent from 1984.

California retail sales grew 9.9 percent on a year-over-year basis in October. In the U.S. as a whole retail sales were up 5.4 percent over the year. Retail sales in California accounted for 12.5 percent of all retail sales in the Nation for the month. New auto sales are a major factor in retail sales. They were up strongly in August and September during auto sales promotions. Auto sales eased back in October and November after the low financing incentives were ended. Preliminary data show auto sales up moderately again in December, with total auto sales in 1985 up 20 percent from 1984.

The National Outlook

The erratic pattern of growth in 1985 was not anticipated by economic forecasters, and was generally lower than expected. The slow pace of activity during 1985 is expected to accelerate gradually to a more normal pace as we move through 1986.

Overall, the expansion this year is expected to come from consumer spending, a pick up in inventory building, moderate gains in nonresidential investment, and stabilizing trends in the foreign trade situation. This will lead to only moderate growth in employment and income, however. By 1987 a slightly stronger growth forecast emerges, reflecting stimulative policies of the Federal Reserve Board. Inflation will remain under control, with a moderate upturn in 1987. This will curtail growth in incomes, which is greatly influenced by cost-of-living adjustments. Retail sales will continue to expand, however, as credit extensions rise further. On the other hand new car sales will be softer in 1986, with a pickup in sales in 1987. Housing starts are expected to be up moderately from 1985 levels.

Under the assumption that the Federal Reserve Board will continue its stimulative policy, and consumer spending remains strong, the economic forecast prepared in November calls for average growth in 1986 and 1987. This forecast includes the following:

- o An accommodative monetary policy which will help stimulate growth and will lead to only a slight rise in inflation.
- o Real GNP up 3.2 percent in 1986, and 3.7 percent in 1987.
- o New car sales of 10.7 million units and 11.0 million units in 1986 and 1987, respectively.
- o Housing starts at 1.8 million units in 1986, rising to 1.9 million units in 1987.
- o Corporate profits up by 4.4 percent in 1986 and 9.2 percent in 1987.
- o Employment rising by 2.1 percent in 1986, with the jobless rate falling to an annual average of 6.9 percent.

The California Outlook

The California outlook assumes a similar pattern, with the State's economy continuing to outperform the Nation. Basically, 1986 will be a better year than

1985, and 1987 will be better than 1986. The California forecast includes the following:

- o Personal income is expected to be up 7.1 percent in 1986. This reflects an employment gain of 2.2 percent and a moderate inflation rate of 4.6 percent.
- o The services sector will continue to provide stability, due to the growth in personal and miscellaneous repair services.
- o After a blockbuster year in 1985, both housing and nonresidential construction are expected to ease back in 1986 to avoid an over-built situation. The pace of construction activity will pick up again in 1987.
- o Retail trade is dependent on consumer confidence and income. Given the national forecast, trade should see another year of rapid growth.

Uncertainties in the Forecast

The outlook is not as certain as some would suggest. The current expansion has now lasted longer than the peacetime average of the last 40 years. While this by itself does not lead to concern, there are cyclical developments which suggest that a degree of caution may be in order.

Consumer credit is at an all-time high in relation to personal income. The consumer spending spree since 1983 raises doubts about how strong sales will be in the future. There is still room for expansion, but how much remains a question. During the past three years, the growth in consumer credit has continued to out-pace the growth in personal income. How much debt are consumers willing to take on? Historically, each peak in the credit/income ratio has been higher than the previous. At what point will the peak be reached in the current expansion?

Federal Reserve policy can also be interpreted in different ways. The surge in the money supply in the second half of 1985 is regarded as highly stimulative, and ultimately inflationary, by some analysts. Others point to a variety of technical and economic factors which have effectively absorbed the increase, and thereby dampened the traditional relationship between growth in the money supply and economic activity. If the former is a more accurate interpretation, growth could well be stronger than expected in 1986. By 1987, however, with inflationary pressures rising, the Fed could be expected to tighten up, and thereby increase the risk of a downturn.

Finally, the federal deficit remains a severe problem, along with the foreign trade imbalance. Assumptions about the Gramm-Rudman-Hollings balanced budget amendment were not incorporated into this forecast. Even now there is not sufficient information to say how it will affect California. It may be several months before clear indications are available on the extent of cuts required and political responses to possibly major curtailment in various programs.

Overall, the forecast calls for moderate growth in 1986 and 1987, with the possibility of reaching a cyclical turning point delayed until 1988 at the earliest.

One final technical aspect of this forecast must be emphasized. The U.S. Department of Commerce recently released a major revision of the National Income and Product Accounts. Revised California data will be available this summer. The revised series will be incorporated into the updated forecast scheduled for release this spring. The following table provides a summary of the major forecast variables prepared for the 1986-87 Governor's Budget.

SELECTED ECONOMIC DATA, 1986 AND 1987
(Dollar amounts in billions)

	1986		1987	
	Amount	Percent Change	Amount	Percent Change
<u>United States</u>				
Real GNP (1972 \$)	\$1,733.6	3.2	\$1,798.5	3.7
GNP Deflator (1972=100)	239.1	3.3	247.6	3.6
GNP (current \$)	\$4,144.7	6.6	\$4,454.3	7.5
Personal Income	\$3,377.6	5.9	\$3,648.5	8.0
Corporate Profits Before Taxes	\$235.8	4.4	\$257.4	9.2
Wage & Salary Employment (thous.)	100,215	2.6	103,180	3.0
Unemployment Rate (%)	6.9	--	6.6	--
Housing Starts (thous.)	1,822	3.8	1,900	4.3
New Car Sales (mill.)	10.7	-3.0	11.0	2.4
Consumer Price Index (1967=100)	333.7	3.6	348.0	4.3
<u>California</u>				
Personal Income	\$429.9	7.1	\$468.9	9.1
Civilian Labor Force (thous.)	13,046	2.1	13,335	2.2
Civilian Employment (thous.)	12,100	2.2	12,447	2.9
Unemployment (thous.)	946	1.4	889	-6.0
Unemployment Rate (%)	7.2	--	6.7	--
Wage & Salary Employment	11,263	2.9	11,687	3.8
Housing Unit Authorizations	229	-6.7	243	6.0

CURRENT CALIFORNIA ECONOMIC DATA

	1985				1984		Percent Change December 1984- December 1985
	December	November	October	September	December	November	
<u>Employment^{a/}</u>							
Civilian employment (000) - - - - -	11,881	11,849	11,888	11,757	11,734	11,686	1.3
Unemployment (000) - - - - -	828	862	986	964	901	923	-8.1
Unemployment rate - - - - -	6.5	6.8	7.7	7.6	7.1	7.3	--
<u>Nonagricultural wage and salary^{a/} employment^{b/} (000)- - - - -</u>							
	11,037.2	11,030.5	11,017.9	10,980.4	10,780.6	10,777.7	2.4
Mining - - - - -	47.6	47.5	47.2	47.8	50.5	50.1	-5.7
Construction - - - - -	496.9	496.8	492.3	496.8	463.4	462.5	7.2
Manufacturing - - - - -	2,108.0	2,100.8	2,088.6	2,078.1	2,084.1	2,079.3	1.1
Aerospace ^{c/} - - - - -	n.a.	737.0	735.7	736.0	720.2	714.6	--
Transportation and public utilities -	580.3	578.7	579.3	576.5	568.7	567.8	2.0
Trade - - - - -	2,630.4	2,630.8	2,644.8	2,629.5	2,578.3	2,579.0	2.0
Finance, insurance, and real estate -	728.9	729.9	729.1	729.4	709.6	709.2	2.7
Services - - - - -	2,684.4	2,685.0	2,672.6	2,660.1	2,601.9	2,601.7	3.2
Government - - - - -	1,760.7	1,761.0	1,764.0	1,762.2	1,724.1	1,728.1	2.1
Federal - - - - -	344.4	342.5	341.3	338.9	333.9	333.9	3.1
State and local - - - - -	1,416.3	1,418.5	1,422.7	1,423.3	1,390.2	1,394.2	1.9
<u>Hours and Earnings, Manufacturing</u>							
Average weekly hours - - - - -	n.a.	40.4	40.4	40.4	41.1	40.4	--
Average weekly earnings - - - - -	n.a.	\$413.29	\$411.27	\$411.68	\$410.18	\$399.96	--
Average hourly earnings - - - - -	n.a.	\$10.23	\$10.18	\$10.17	\$9.98	\$9.90	--
Index of Leading Indicators - - - - -	n.a.	140.9	138.1	138.7 ^{r/}	137.2	137.6	--
<u>Trade^{a/}</u>							
Retail sales (millions) - - - - -	n.a.	n.a.	\$14,364	\$14,355	\$13,151	\$13,269	--
New auto registrations (number) - - - -	108,678 ^{p/}	94,129 ^{p/}	138,252	126,619	100,277	98,569	8.4
New Incorporations (number) ^{a/} - - - - -	5,221	5,488	5,364	5,094	4,911	4,880	6.3
<u>Consumer Price Index, all items^{d/}</u>							
California average (1967=100) - - - - -	334.1	n.a.	334.0	n.a.	320.1	n.a.	
San Francisco (1967=100) - - - - -	336.4	n.a.	336.7	n.a.	325.8	n.a.	3.3
Los Angeles (1967=100) - - - - -	326.1	325.0	326.1	323.8 ^{r/}	311.1	311.8	4.8
San Diego (1967=100) - - - - -	n.a.	379.0	n.a.	377.3	n.a.	363.7	--
<u>Production</u>							
Petroleum (000 barrels daily) - - - - -	n.a.	n.a.	n.a.	1,165.7	1,129.0	1,144.8	--
Portland cement (000 short tons)- - - -	n.a.	696.8	876.3	760.6	609.4	639.0	--
Selected redwood mill production (mil. FBM)	n.a.	44.28	75.97	63.52	49.48	54.51	--
<u>Construction^{a/}</u>							
Private residential housing units authorized, SAAR (000)- - - - -	n.a.	n.a.	244.7	455.6	177.6	256.9	--
Nonresidential building authorized, valuation (millions)- - - - -	n.a.	n.a.	\$1,171	\$1,177	\$947	\$1,482	--

^{a/}Adjusted for seasonal variation.^{b/}Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.^{c/}The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.^{d/}All urban series. New basis since January 1983.^{p/}Preliminary estimate.^{r/}Revised.

n.a. Not available

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

Data are plotted either monthly or quarterly. The Arabic numeral in the right hand corner of each graph indicates the latest month or quarter for which the data are plotted (e.g.: 1 = January or first quarter). The basic data tables indicate the frequency of each of the series plotted.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census, Technical Paper No. 15, The X-11 Variant of the Census Method II, Seasonal Adjustment Program (November 1965.)

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's publication, Business Cycle Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hours series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

Manufacturing Employment

This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable Sales

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

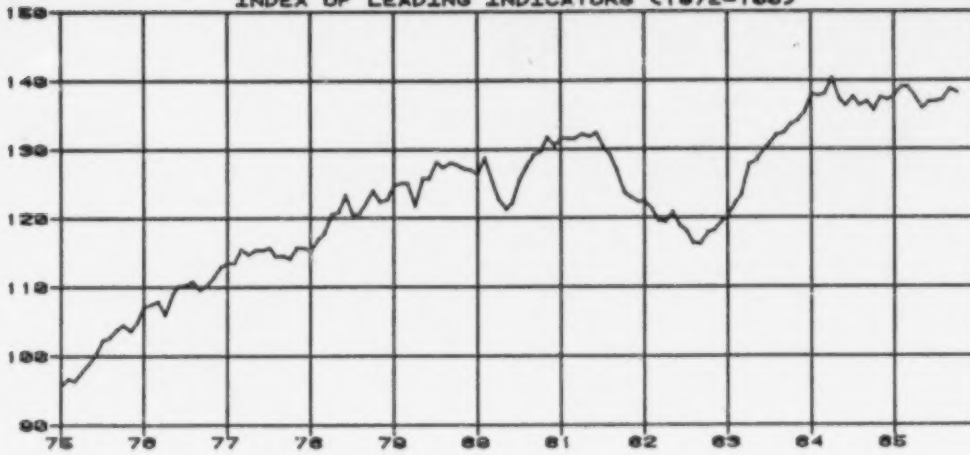
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but will be of interest to persons looking at overall economic developments.

Standard Abbreviations

n.a. Not available	p Preliminary
e Estimate	r Revised

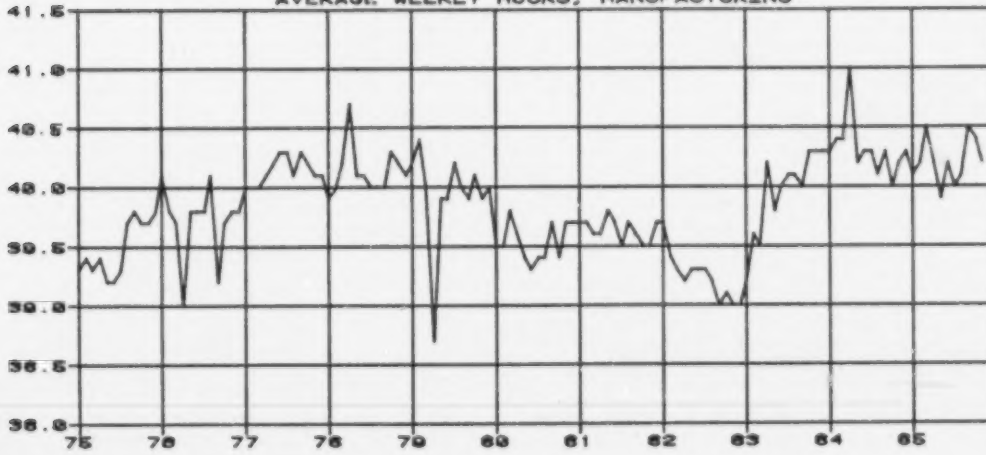
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INDEX OF LEADING INDICATORS (1972=100)



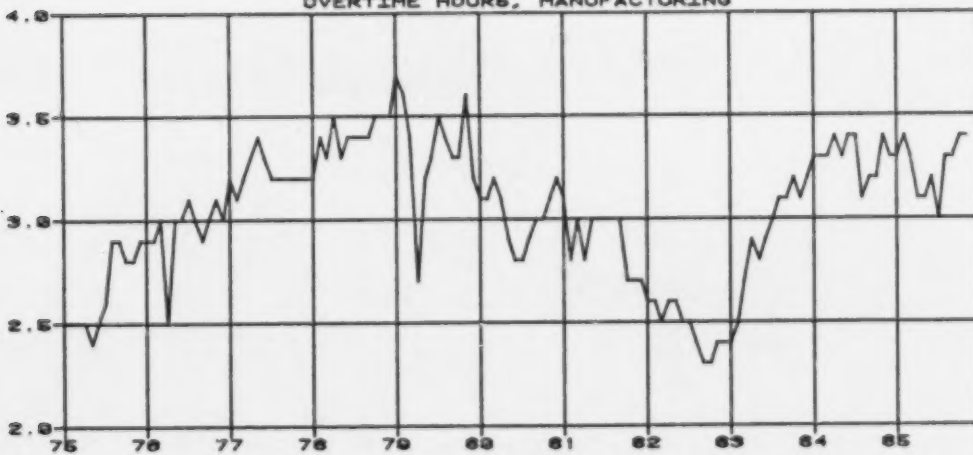
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AVERAGE WEEKLY HOURS, MANUFACTURING

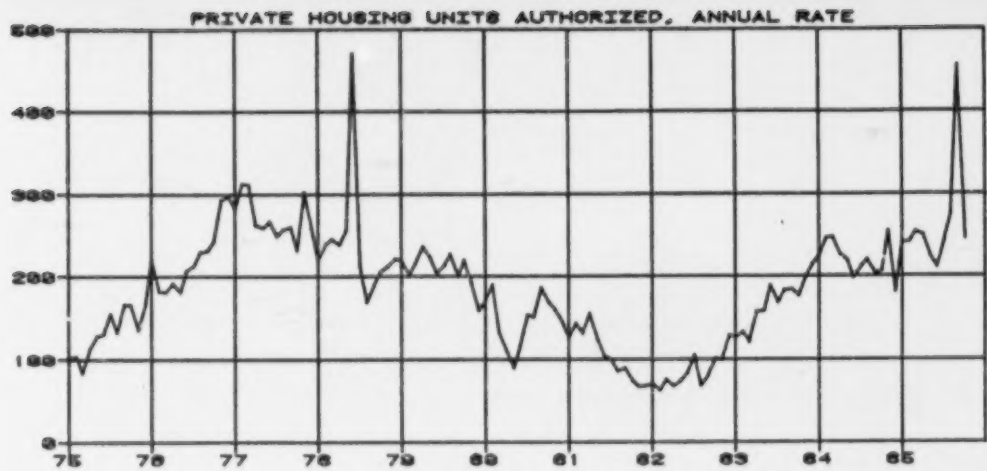


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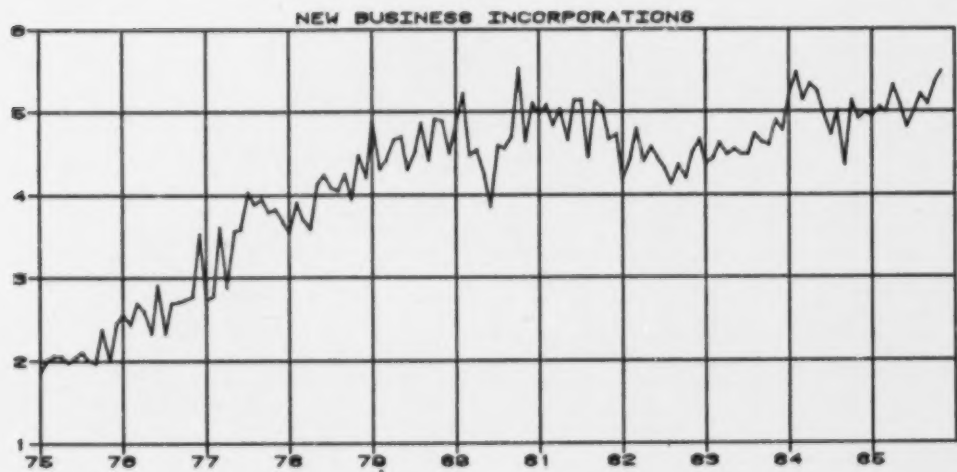
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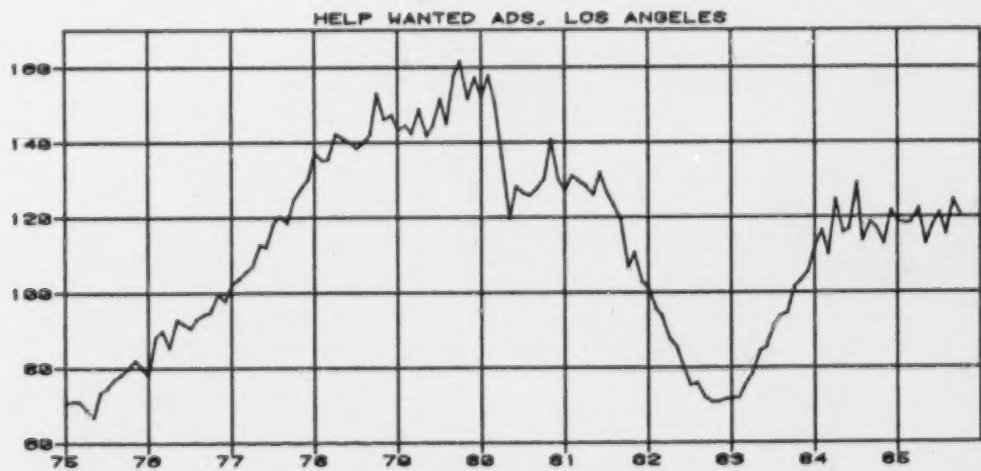
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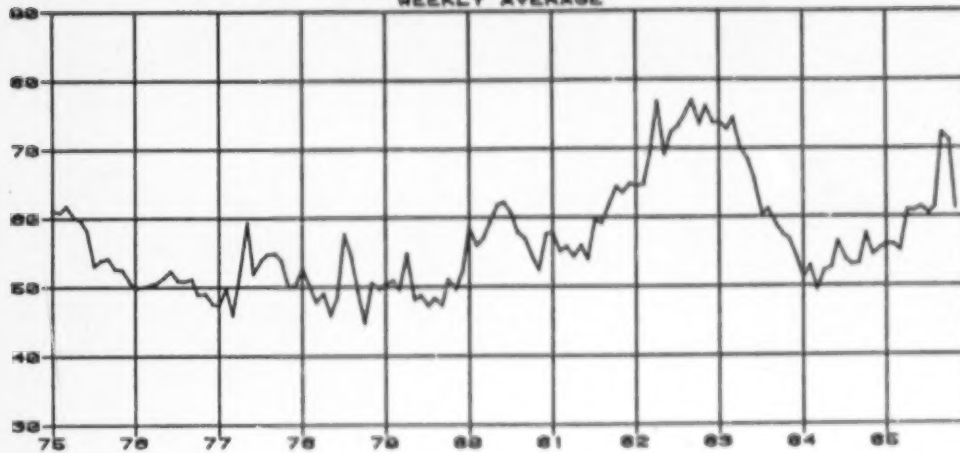


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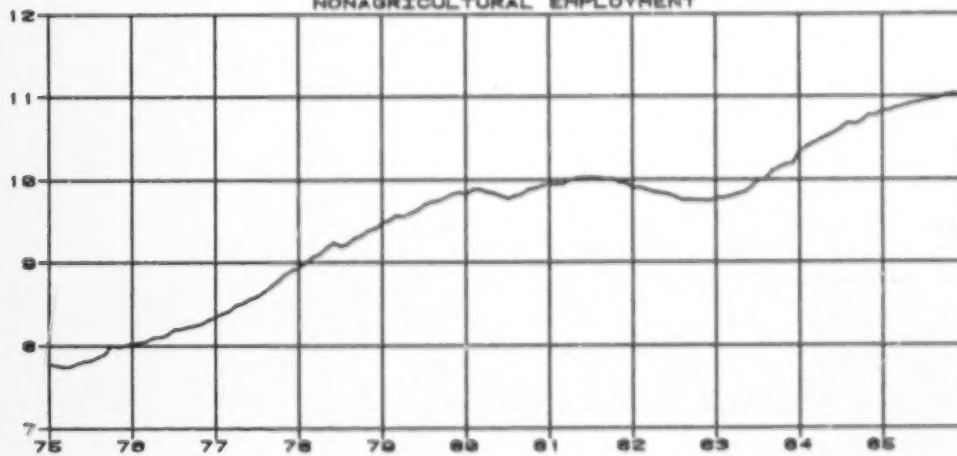
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INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE,
WEEKLY AVERAGE



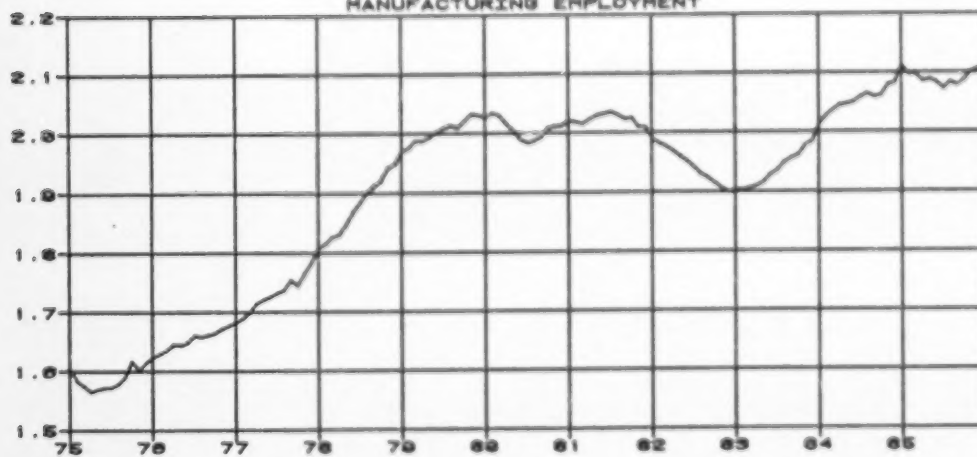
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NONAGRICULTURAL EMPLOYMENT



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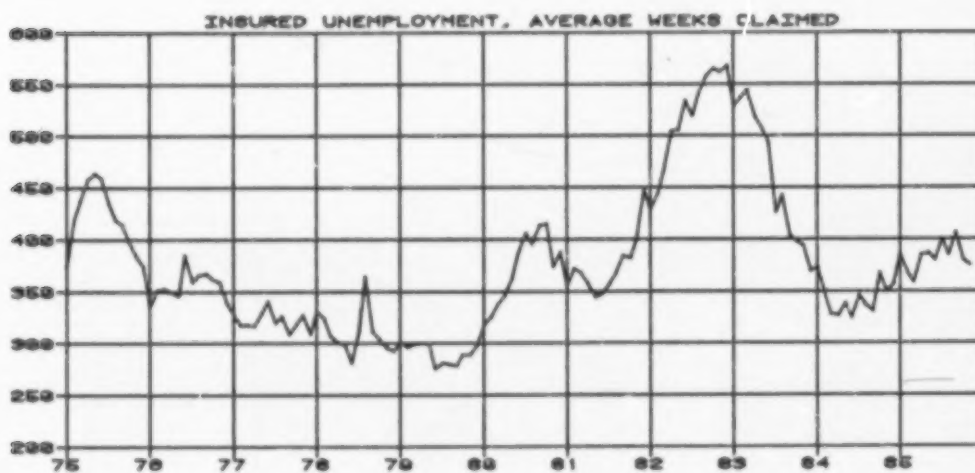
MANUFACTURING EMPLOYMENT



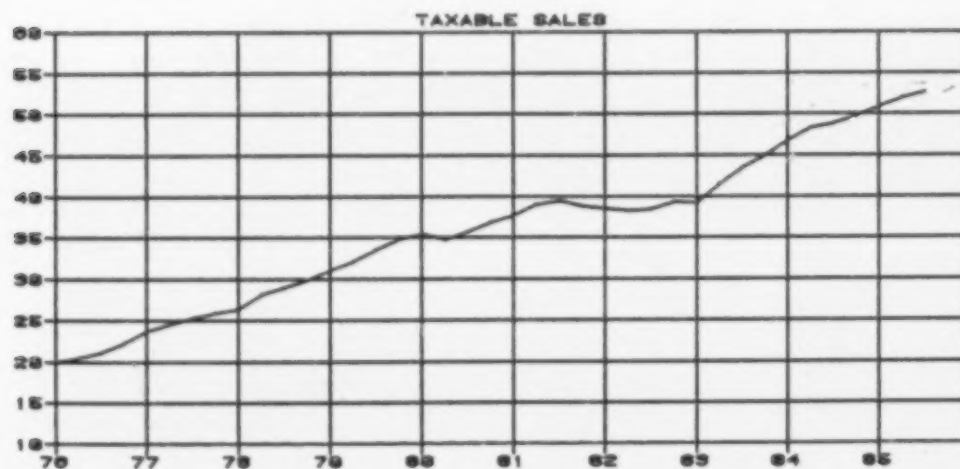
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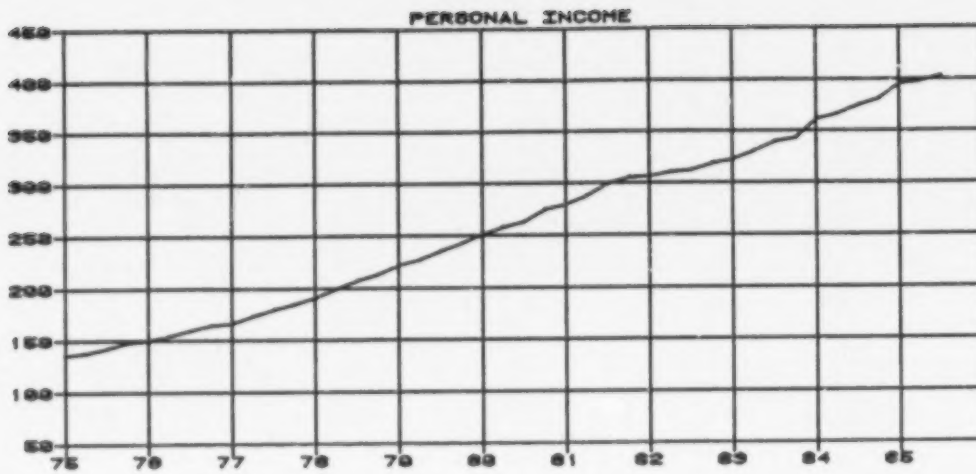
INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED



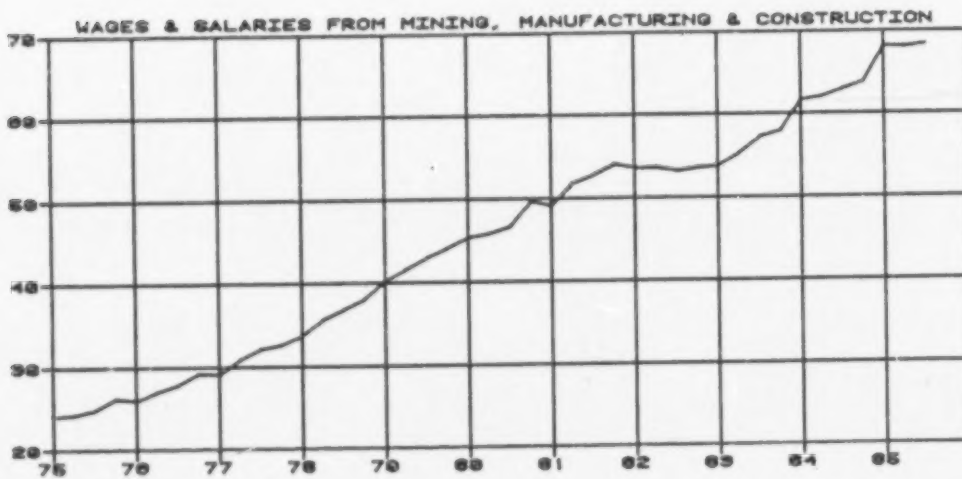
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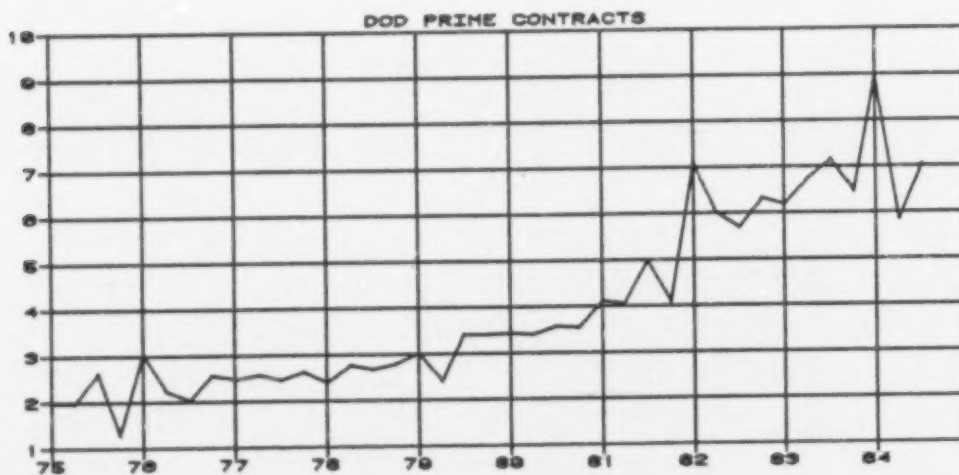
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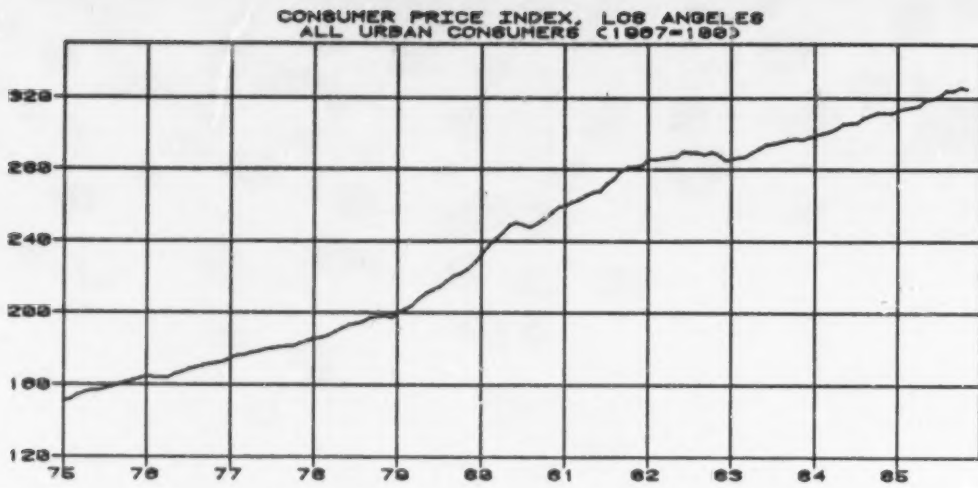
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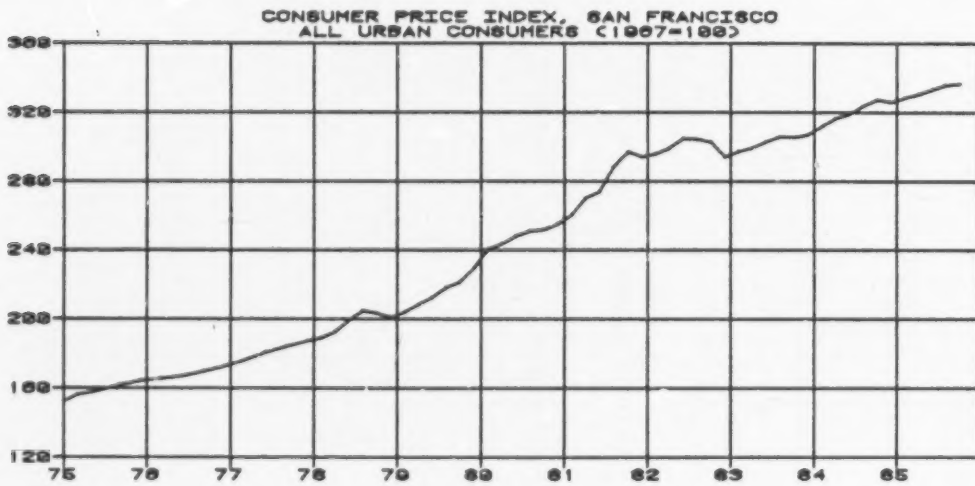
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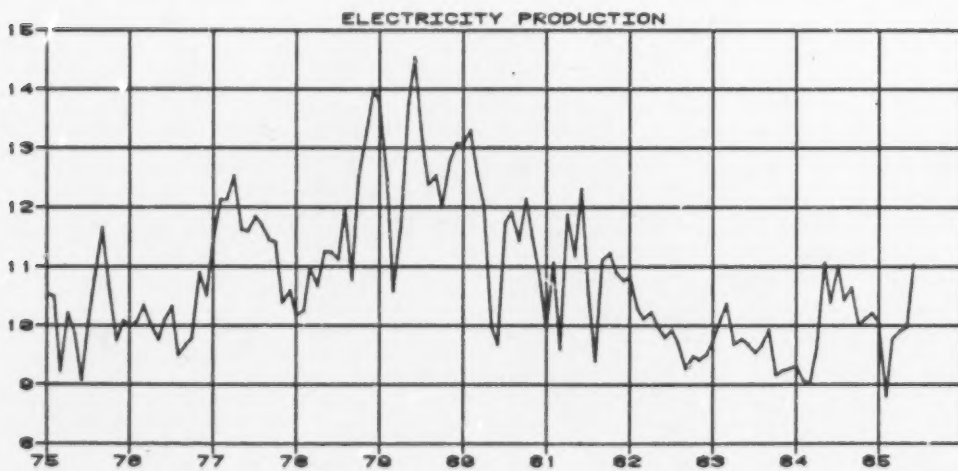
YR02H



YR02H



YR02H



BASIC DATA FOR CALIFORNIA ECONOMIC SERIES
(Seasonally Adjusted Except as Noted)
Leading Indicators

Year and Month	Index of Leading Indicators (1972=100)	Average Weekly Hours, Manufac- turing	Help Wanted Ads-- Los Angeles Area (thousands)	Initial Claims for Unemployment Insurance Weekly Avg. (thousands)	Overtime Hours Manufac- turing	Total Housing Units Authorized (thousands)	a/ New Business Incorporations
<u>1981</u>							
July	128.3	39.5	126.4	59.5	3.0	96.2	5,153
August	127.5	39.7	123.3	59.2	3.0	86.3	4,451
September	125.7	39.6	119.4	61.7	3.0	83.6	5,126
October	122.4	39.5	106.5	64.4	2.7	68.1	5,033
November	122.3	39.5	110.7	63.6	2.7	64.5	4,674
December	121.8	39.7	102.6	64.9	2.7	67.7	4,730
<u>1982</u>							
January	120.9	39.7	101.2	64.5	2.6	72.4	4,184
February	119.6	39.4	95.7	64.8	2.6	66.0	4,438
March	118.7	39.3	93.5	69.1	2.5	74.3	4,794
April	117.9	39.2	87.6	76.8	2.5	70.3	4,407
May	119.1	39.3	85.3	69.1	2.6	78.1	4,575
June	117.2	39.3	80.1	72.3	2.6	90.9	4,445
July	116.9	39.3	75.2	73.2	2.4	101.0	4,312
August	115.2	39.2	75.8	74.9	2.4	68.5	4,128
September	115.7	39.0	72.3	76.9	2.3	73.4	4,358
October	117.2	39.1	70.7	73.4	2.4	88.7	4,200
November	118.0	39.0	70.8	76.2	2.4	93.4	4,498
December	119.2	39.0	71.6	73.8	2.4	127.5	4,674
<u>1983</u>							
January	119.9	39.2	71.7	73.8	2.4	130.9	4,375
February	121.9	39.6	71.9	72.7	2.5	141.7	4,444
March	123.3	39.5	75.4	74.5	2.7	116.9	4,619
April	127.5	40.1	78.6	70.0	2.8	160.1	4,486
May	128.0	39.8	84.4	68.2	2.8	167.1	4,548
June	129.5	39.9	85.4	65.5	2.9	208.4	4,496
July	130.9	40.0	91.2	60.4	2.9	157.3	4,491
August	131.9	40.1	93.6	61.2	3.1	174.6	4,732
September	132.5	40.0	94.6	59.0	3.1	158.9	4,633
October	134.0	40.3	101.3	57.4	3.3	145.8	4,602
November	134.2	40.3	103.1	56.8	3.1	186.3	4,901
December	135.5	40.2	105.6	54.0	3.2	215.5	4,775
<u>1984</u>							
January	137.9	40.3	112.0	49.5	3.3	235.8	5,204
February	137.8	40.4	117.4	52.8	3.3	250.9	5,473
March	138.0	40.4	110.0	49.1	3.3	244.7	5,148
April	140.4	41.0	125.2	52.3	3.4	230.0	5,337
May	137.3	40.2	117.2	52.5	3.3	215.0	5,241
June	136.3	40.3	117.2	56.4	3.4	206.8	4,987
July	137.7	40.3	130.0	53.4	3.4	200.7	4,729
August	136.4	40.1	113.7	53.2	3.1	216.1	5,015
September	137.0	40.3	118.6	53.5	3.2	174.4	4,367
October	135.6	40.0	114.8	58.6	3.2	191.5	5,132
November	137.6	40.2	111.2	55.4	3.4	256.9	4,921
December	137.2	40.3	120.9	55.9	3.3	177.6	4,993
<u>1985</u>							
January	137.8	40.1	118.8	56.0	3.3	241.0	4,938
February	139.1	40.2	118.2	55.8	3.4	242.2	5,062
March	139.1	40.5	118.7	55.1	3.3	254.0	4,995
April	137.6	40.2	122.5	61.0	3.1	249.5	5,316
May	135.9	39.9	112.9	60.9	3.1	224.1	5,087
June	136.9	40.2	117.7	61.4	3.2	210.3	4,816
July	137.0	40.0	121.2	60.5	3.0	242.0	5,007
August	137.2	40.1	115.5	61.5	3.3	275.6	5,204
September	138.7 ^a	40.5	124.6	72.2	3.3	455.6	5,094
October	138.1	40.4	120.3	71.0	3.4	244.7	5,364
November	140.9	40.2		61.2	3.4		5,488

^a/Annual rate basis.

BASIC DATA FOR CALIFORNIA ECONOMIC SERIES (Continued)
(Seasonally Adjusted Except as Noted)

Year and Month	Coincident Indicators						Other Indicators
	Nonagri- cultural Employment (thousands)	Wages and Salaries in Mining, Manu- facturing and Construction (mil dol.) a/	Unemploy- ment Rate	Insured Unemployment Average Weeks Claimed (thousands)	Personal Income (mil dol.) a/	Taxable Sales (mil dol.) a/	Manufac- turing Employment (thousands)
<u>1981</u>							
July	10,020.1		7.3	356			2,035.1
August	10,017.6	52,737	6.9	367	300,325	39,498 r/	2,031.0
September	10,003.0		7.6	384			2,024.2
October	10,004.0		8.2	382			2,025.3
November	9,964.9	54,052	8.0	400	305,795	38,865 r/	2,010.7
December	9,953.0		8.7	448			2,009.5
<u>1982</u>							
January	9,901.7		8.7	428			1,990.3
February	9,897.2	53,540 r/	8.8	445	305,568	38,488 r/	1,982.5
March	9,875.0		9.3	467			1,977.6
April	9,844.5		9.4	504			1,968.7
May	9,835.5	53,649 r/	9.5	506	310,474	38,263 r/	1,959.3
June	9,821.2		9.6	534			1,951.0
July	9,786.7		10.3	519			1,941.6
August	9,757.4	53,204 r/	10.3	542	312,794	38,404 r/	1,930.2
September	9,756.8		10.2	557			1,923.0
October	9,745.5		10.8	565			1,913.7
November	9,744.0	53,515 r/	11.2	562	318,984	39,353 r/	1,905.8
December	9,736.5		11.1	568			1,899.3
<u>1983</u>							
January	9,782.8		11.0	529			1,903.4
February	9,778.3	53,764 r/	11.1	538	323,182	39,195 r/	1,904.4
March	9,796.1		10.5	544			1,905.8
April	9,828.3		9.9	519			1,909.1
May	9,855.1	55,224 r/	10.4	506	330,703	41,450 r/	1,917.6
June	9,907.0		10.4	494			1,928.4
July	9,993.8		9.0	426			1,937.2
August	9,998.0	57,286 r/	9.7	443	339,773	43,437 r/	1,948.9
September	10,103.2		8.9	404			1,956.9
October	10,140.4		8.6	398			1,963.1
November	10,187.2	57,977 r/	8.4	394	343,942	45,016 r/	1,978.4
December	10,204.8		8.2	369			1,985.2
<u>1984</u>							
January	10,339.2		8.4	374			2,013.9
February	10,396.9	61,741 r/	8.0	349	362,008	46,828 r/	2,027.7
March	10,444.6		8.2	328			2,036.2
April	10,482.9		7.8	326			2,045.6
May	10,533.1	62,040 r/	7.7	338	366,608	48,374 r/	2,047.5
June	10,569.9		7.7	324			2,050.0
July	10,626.0		7.9	346			2,059.8
August	10,679.4	63,048 r/	7.7	337	375,086	48,871 r/	2,064.6
September	10,669.5		8.1	330			2,059.0
October	10,708.3		7.5	367			2,062.6
November	10,777.7	63,874 r/	7.3	349	381,106	49,781 r/	2,079.3
December	10,780.6		7.1	356			2,084.1
<u>1985</u>							
January	10,829.5		7.3	386			2,111.2
February	10,840.0	68,125 r/	6.7	367	395,360	50,949	2,098.0
March	10,872.6		6.9	358			2,097.5
April	10,889.2		7.3	385			2,085.8
May	10,923.1	68,087	7.1	387	398,002	51,947	2,088.6
June	10,932.6		7.8	380			2,084.1
July	10,951.3		7.2	400			2,073.3
August	10,967.9	68,435	7.3	385	403,316	52,690	2,083.8
September	10,980.4		7.6	406			2,078.1
October	11,017.9 r/		7.7	380			2,088.6 r/
November	11,030.5		6.8	375			2,100.8
December	11,037.2		6.5				1,108.0

a/Annual rate basis.

r/Revised

BASIC DATA FOR CALIFORNIA ECONOMIC SERIES (Continued)
(Seasonally Adjusted Except as Noted)
Other Indicators

Year and Month	DOD Prime Contracts (mil dol.) ^{a/}	Consumer Price Index (1967=100) ^{b/}				Net New S&L Savings ^{b/} (mil dol.)	Electricity Production (mil KWH)
		San Francisco		Los Angeles			
		Wage Earner and Clerical Worker	All Urban	Wage Earner and Clerical Worker	All Urban		
<u>1981</u>							
October		295.6	297.0	284.9	281.3	667	11,222
November	4,078	--	--	285.3	281.6	-384	10,897
December		292.7	294.0	285.9	282.1	-109	10,754
<u>1982</u>							
January		--	--	289.6	285.6	384	10,823
February	7,080	294.9	295.8	289.2	285.4	172	10,285
March		--	--	290.2	286.4	-180	10,114
April		297.8	298.8	290.3	286.6	-1,084	10,223
May	6,020	--	--	290.6	287.1	-46	9,973
June		303.4	304.6	293.9	290.1	-1,139	9,795
July		--	--	293.0	289.3	-142	9,916
August	5,683	302.8	304.3	292.8	289.1	-411	9,676
September		--	--	291.7	288.2	78	9,275
October		301.3	302.4	292.8	289.5	-614	9,471
November	6,326	--	--	291.6	288.5	779	9,413
December		293.6	293.9	288.0	285.3	3,492	9,515
<u>1983</u>							
January		--	--	288.0	285.6	5,803	9,731
February	6,173	293.9	297.3	290.1	286.8	2,738	10,094
March		--	--	289.6	287.1	1,992	10,360
April		294.7	299.3	290.2	289.5	2,301	9,683
May	6,740	--	--	292.1	292.0	2,381	9,767
June		298.6	303.0	292.1	293.6	1,043	9,675
July		--	--	293.2	294.5	2,066	9,533
August	7,157	301.6	306.0	293.7	295.2	3,207	9,658
September		--	--	296.7	296.4	3,476	9,920
October		301.4	305.7	299.0	297.0	1,678	9,155
November	6,462	--	--	297.8	296.5	273	9,231
December		306.1	307.3	299.9	297.7	2,227	9,269
<u>1984</u>							
January		--	--	297.9	299.1	3,508	9,318
February	9,930	308.7	311.7	299.0	300.2	1,754	9,066
March		--	--	297.9	300.7	3,167	9,001
April		311.1	316.4	298.9	302.8	3,393	9,618
May	5,843	--	--	303.1	305.4	5,312	11,054
June		315.1	318.7	303.4	305.6	3,322	10,385
July		--	--	300.3	305.9	3,244	11,006
August	7,045	322.7	323.4	305.1	308.6	-971	10,425
September		--	--	304.2	310.2	-160	10,633
October		319.3	327.5	302.5	311.9	2,260	10,012
November		--	--	304.2	311.8	1,434	10,108
December		321.5	325.8	306.5	311.1	2,093	10,205
<u>1985</u>							
January		--	--	308.1	313.0	917	10,046
February		324.2	328.7	309.1	314.1	-2,349	8,800
March		--	--	309.8	314.7	-584	9,774
April		326.1	330.4	311.2	315.9	-592	9,908
May		--	--	314.1	319.1	838	9,972
June		328.7	333.2	314.1	319.3	-1,876	11,025
July		--	--	315.8	321.3		12,615
August		330.8	335.8	318.0	323.9		11,013
September		--	--	317.7	323.8		9,266
October		331.0	336.7	320.0	326.1		11,533
November		--	--	319.1	325.0		12,666
December		331.3	336.4	320.1	326.1		

^{a/}Quarterly data.

^{b/}Not adjusted for seasonal variation.

^{r/}Revised.

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

<u>1969</u>		<u>1970--Continued</u>	
January 1	Social security contribution rate increased to combined 9.6 percent.	November 10	Discount rate reduced from 6 percent to 5-3/4 percent.
January 7	Prime rate raised from 6-3/4 percent to 7 percent.	November 12	Prime rate reduced from 7-1/2 percent to 7-1/4 percent.
January 24	FHA interest rate raised from 6-3/4 percent to 7-1/2 percent.	November 23	Prime rate reduced from 7-1/4 percent to 7 percent.
March 17	Prime rate raised from 7 percent to 7-1/2 percent.	December 1	Discount rate reduced from 5-3/4 percent to 5-1/2 percent. FHA interest rate reduced from 8-1/2 percent to 8 percent.
April 3	Discount rate raised from 5-1/2 percent to 6 percent; reserve requirement raised.	December 20	13-week extended duration unemployment benefits in effect.
June 9	Prime rate raised from 7-1/2 percent to 8-1/2 percent.	December 22	Prime rate reduced from 7 percent to 6-3/4 percent.
June 12	Required liquidity reserves of savings and loan associations lowered from 6-1/2 percent to 6 percent.		
October 27-February 1970	General Electric strike.		
<u>1970</u>		<u>1971</u>	
January 1	Personal income tax surcharge reduced to 5 percent. Withholding cut.	January 6	Prime rate reduced from 6-3/4 percent to 6-1/2 percent.
January 5	FHA interest rate raised from 7-1/2 percent to 8-1/2 percent.	January 8	Discount rate reduced from 5-1/2 percent to 5-1/4 percent.
January 21	Increased schedule of interest rates on time deposits and certificates of deposit in effect.	January 12	FHA interest rate reduced from 8 percent to 7-1/2 percent.
March 25	Prime rate reduced from 8-1/2 percent to 8 percent.	January 15	Prime rate reduced from 6-1/2 percent to 6-1/4 percent.
April 2-June 2	Teamster strike.	January 18	Prime rate reduced from 6-1/4 percent to 6 percent.
May 6	Stock margin requirement cut from 80 percent to 65 percent.	January 19	Discount rate reduced from 5-1/4 percent to 5 percent.
July 1	Personal income tax surcharge removed.	February 4	Rolls Royce bankruptcy announced.
September 14-November 23	UAW strike against GM.	February 9	Los Angeles earthquake.
September 22	Prime rate reduced from 8 percent to 7-1/2 percent.	February 12	Discount rate reduced from 5 percent to 4-3/4 percent.
		February 16	Prime rate reduced from 6 percent to 5-3/4 percent.
		February 23	Davis Bacon Act regulating construction wages on Federal projects suspended. Suspension revoked on March 29. Wage-price curbs ordered.

CHRONOLOGY--Continued

1971--Continued

March 16 Prime rate reduced from 5-3/4 percent to 5-1/2 percent.

March 17 Social security bill signed. Benefits raised 10 percent, retroactive to January 1, 1971. Contribution base raised to \$9,000 effective January 1, 1972.

March 25 SST program terminated.

April 1 Interest rates on savings accounts in California banks generally reduced from 4-1/2 percent to 4 percent.

April 23 Prime rate raised from 5-1/4 percent to 5-1/2 percent.

May 1 Liquidity ratio for savings and loan associations raised from 6-1/2 percent to 7-1/2 percent.

May 17-18 Rail strike.

June 1-July 27 Communications workers strike against Western Union.

June 15-21 Prime rate increased from 5-1/2 percent to 5-3/4 percent. General rise to 6 percent on July 7.

June 29-July 16 Northern California construction strike.

July 1-October 6 West Coast dock strike.

July 14-August 2 Telephone strike.

July 15 Discount rate raised from 4-3/4 percent to 5 percent.

July 16-August 2 Rail strike.

July 31 Steel strike averted by accord on contract.

August 2 Lockheed loan guarantee approval.

August 3 Teamsters walkout in Northern California against building contractors.

August 15-November 13 President's economic policy message; 90-day wage-price freeze in effect.

October 1 East and Gulf Coast longshoremen's strike.

October 20 Prime rate reduced from 6 percent to 5-3/4 percent. Further reduction to 5-1/2 percent on November 4.

1971--Continued

November 11 Discount rate reduced from 5 percent to 4-3/4 percent.

November 14 Phase II of NEP in effect.

December 6 Stock margin requirements cut from 65 percent to 55 percent.

December 10 Revenue Act of 1971 signed into law.

December 13 Discount rate reduced from 4-3/4 percent to 4-1/2 percent. Prime rate lowered from 5-1/2 percent to 5-1/4 percent.*

Intent to devalue U.S. dollar announced.

1972

January 17-February 20 West Coast dock strike continued.

February 1-March 15 Kaiser Steel Company strike.

July 1 20 percent increase in social security benefits signed into law. Effective September.

September 11 Opening of BART Fremont-Oakland line.

September 21 "Friends of Mammoth" decision.

November 24 Stock margin requirements raised to 65 percent.

1973

January 11 Phase III of NEP in effect.

January 15 Discount rate raised from 4-1/2 percent to 5 percent.

January 27 Viet Nam cease fire signed.

January 29 Opening of BART Richmond-Oakland line.

February 12 10 percent devaluation of U.S. dollar announced.

March 2 Major foreign currency exchanges closed.

March 29 Price controls of meat announced.

* Adoption of a floating prime rate in November 1971 has resulted in frequent minor adjustments in the rate. Information on the range of rates at any one time and the rate charged by the majority of commercial banks may be obtained from the Federal Reserve Bulletin.

CHRONOLOGY--Continued

1973

April 9-13	Consumer meat boycott.
April 23	Discount rate raised from 5-1/2 percent to 5-3/4 percent.
May 10	Discount rate raised from 5-3/4 percent to 6 percent.
June 11	Discount rate raised from 6 percent to 6-1/2 percent.
June 14	60-day price freeze announced.
July 2	Discount rate raised from 6-1/2 percent to 7 percent. Increased reserve requirement on net demand deposits.
July 6	Interest rates increased: FHA mortgage rate: 7 percent to 7-3/4 percent; bank savings rate: 4-1/2 percent to 5 percent; savings and loan rate: 5 percent to 5-1/4 percent.
July 18	Phase IV announced.
August 27	Prime rate at 9-3/4 percent in major institutions.
October 17	Arab nations announce reductions in oil shipment.
November 5-December 18	TWA strike.

1974

January 3	Stock margin requirements cut from 65 percent to 50 percent.
February 1-11	Independent truckers strike, midwest and east coast.
February 15	Prime rate reduced to 9 percent.
February 22	Prime rate reduced to 8-3/4 percent.
March 4	California minimum wage increased to \$2.00 per hour from \$1.65.
March 18	Arab oil embargo lifted.
March 27	Prime rate increased to 9 percent from 8-3/4 percent.
March 28	Prime rate further increased to 9-1/2 percent.
April 25	Federal Reserve raised discount rate to 8 percent from 7-1/2 percent.
April 29	Prime rate up to 10-3/4 percent.

1974--Continued

April 30	Phase IV controls lifted in approximately 165 sectors of the economy.
June 17-August 4	San Diego construction strike.
June 17-July 21	Northern California construction strike.
July 1-Mid-August	Southern California construction strike.
July 1	Transit strikes, San Francisco Bay Area.
August 2-October 21	Los Angeles area transit strike.
August 8	Resignation of President Nixon announced.
August 14	FHA mortgage rate raised to 9-1/2 percent. Prime rate reduced from 12 percent to 11-3/4 percent on limited basis. Prevailing rate on date of major changes: October 21....11 1/2 percent October 28....11 1/4 percent November 4....11 percent November 14...10 3/4 percent November 25...10 1/2 percent
October 8	Prime rate reduced from 12 percent to 11-3/4 percent by several more large banks.
November 12-December 9	Coal strike.
December 9	Discount rate reduced from 8 percent to 7-3/4 percent.

1975

January 6	Federal Reserve discount rate cut from 7-3/4 percent to 7-1/4 percent.
January 10	Oil Chemical Atomic Workers Union strike.
January 13	Prime rate reduced to 10 percent. Further major cuts as follows: January 21.....9 3/4 percent January 31.....9 percent February 6.....8 3/4 percent February 19.....8 1/2 percent March 3.....8 1/4 percent March 8.....8 percent
January 21	FHA mortgage rate reduced from 9 percent to 8-1/2 percent.
February 5	Federal Reserve discount rate cut from 7-1/4 percent to 6-3/4 percent.

CHRONOLOGY--Continued

1975--Continued

March 10	Federal Reserve discount rate cut from 6-3/4 percent to 6-1/4 percent.
March 24	Prime rate reduced to 7-1/2 percent by most major banks.
March 25	King Faisal assassinated.
March 29	Tax reduction act signed into law.
May 19	Prime rate reduced to 7-1/4 percent by several major banks.
June 10	Prime rate reduced to 7 percent by most banks.
July 18	Prime rate increased to 7-1/4 percent. Further gains as follows: July 25.....7-1/2 percent August 11.....7-3/4 percent September 15....8 percent
September 1	National Airlines strike.
October 16	Reserve requirement on time deposits reduced from 3 percent to 1 percent.
October 24	Prime rate reduced to 7-3/4 percent. Further reductions as follows: October 31.....7-1/2 percent November 21.....7-1/4 percent
December 5-19	United Airlines strike.

1976

January 12	Prime rate lowered to 7 percent.
January 19	Federal Reserve discount rate lowered from 6 percent to 5-1/2 percent.
January 21	Prime rate reduced to 6-3/4 percent.
April 1-3	Teamsters strike.
April 9-June 4	Prime rate moving upward, 6-3/4 percent to 7-1/4 percent at most major banks.
April 21	Rubber workers strike.
July 20-August 2	Cannery workers strike.
August 2	Prime rate reduced to 7 percent. Further reductions as follows: October 4.....6-3/4 percent October 29.....6-1/2 percent December 10....6-1/4 percent

1976--Continued

September 15-October 13	Auto workers strike.
October 18	California minimum wage raised to \$2.50 per hour.
December 22	Prime rate reduced to 6 percent by Chase Manhattan Bank. Most banks maintain a prime rate of 6-1/4 percent.
<u>1977</u>	
May 16	Prime rate raised to 6-1/2 percent.
May 31	Prime rate raised to 6-3/4 percent.
August 22	Prime rate raised to 7 percent.
August 30	Federal Reserve discount rate raised from 5-1/4 percent to 5-3/4 percent, the first increase since April 1974.
September 16	Prime rate raised to 7-1/4 percent.
October 1-November 24	Longshoremen's strike against East and Gulf Coast ports.
October 7	Prime rate raised to 7-1/2 percent.
October 10-January 4	IAM-Lockheed strike.
October 24	Prime rate raised from 7-1/2 percent to 7-3/4 percent.
October 26	Discount rate raised from 5-3/4 percent to 6 percent.
December 6-March 24	United Mine Workers strike.

1978

January 1	U.S. minimum wage increased to \$2.65 per hour.
January 9	Discount rate raised from 6 percent to 6-1/2 percent.
January 10	Prime rate raised to 8 percent.
February 28	FHA mortgage rate raised from 8-1/2 percent to 8-3/4 percent.
April 1	California minimum wage increased from \$2.50 to \$2.65 per hour.
April 1-May 28	United Airlines strike.
May 4	Prime rate raised from 8 percent to 8-1/4 percent.

CHRONOLOGY--Continued

1978--Continued

May 8	California savings and loan associations raised mortgage rates from 9-3/4 percent to 10 percent.
May 12	Discount rate raised to 7 percent.
May 23	Federal funds rate increased to 7-1/2 percent. FHA-VA mortgage rate raised from 8-3/4 percent to 9 percent.
May 26	Prime rate raised from 8-1/4 percent to 8-1/2 percent.
June 6	Proposition 13 approved by California voters.
June 16	Prime rate raised to 8-3/4 percent.
June 20	OPEC announced a freeze on crude oil prices until December 16.
June 22	Federal funds rate raised from 7-1/2 percent to 7-3/4 percent.
June 29	FHA-VA mortgage rate raised to 9-1/2 percent.
June 30	Prime rate raised to 9 percent.
July 10	Discount rate raised to 7-1/4 percent.
July 18	Teamsters union strike affecting supermarkets throughout Northern California.
August 20	Retail clerks union strike in Southern California.
August 21	Discount rate raised to 7-3/4 percent.
August 29	Federal funds rate raised from 8-1/8 percent to 8-1/4 percent.
August 31	Prime rate raised by some eastern banks from 9 percent to 9-1/4 percent.
September 15	Prime rate raised to 9-1/2 percent.
September 22	Discount rate raised from 7-3/4 percent to 9-3/4 percent.
September 28	Prime rate raised from 9-1/2 percent to 9-3/4 percent.

1978--Continued

October 12	Prime rate raised from 9-3/4 percent to 10 percent.
October 15	Tax cut and energy bills passed by Congress.
October 16	Discount rate raised from 8 percent to 8-1/2 percent.
October 18	Federal funds rate raised from 8-3/4 percent to 8-7/8 percent.
October 24	Prime rate raised from 10 percent to 10-1/4 percent. California mortgage rates raised from 10 percent to 10-1/4 percent at several savings and loan institutions.
October 24	Phase II announced: voluntary guidelines on wages and prices.
November 1	Discount rate raised from 8-1/2 percent to 9-1/2 percent.
November 3	Prime rate raised from 10-1/2 percent to 10-3/4 percent.
November 13	Prime rate raised from 10-3/4 percent to 11 percent.
November 24	Prime rate raised to 11-1/2 percent.
November 27	Federal funds rate raised from 9-3/4 percent to 9-7/8 percent.
December 4	Rollover for 6-month certificates of deposit (CDs) began this week.
December 19	Federal funds rate raised to 10 percent.
December 20	Prime rate raised to 11-3/4 percent.
<u>1979</u>	
January 1	U.S. minimum wage increased to \$2.90 per hour.
January 13	Prime rate reduced to 11-1/2 percent.
March 15	Terms for MMCs changed. 1/4 point differential over 9 percent eliminated.
March 27	OPEC price increases: 9 percent. Selected surcharges imposed.

CHRONOLOGY--Continued

<u>1979--Continued</u>		<u>1980--Continued</u>	
March 31- May 26	United Airlines-machinist strike.	March 14	Announcement of tighter fiscal policies.
April 1-10	Teamsters strike.	March 17	Three percent discount rate surcharge imposed.
May 7	Prime rate moved to 11-3/4 percent from 11-1/2 percent.	March 18	Prime rate raised to 19 percent.
May 19	Federal funds rate set at 7-1/4 percent.	April 2	Prime rate raised to 20 percent.
May 30	Interest rate on conventional mortgages raised to 11-3/4 percent.	April 3	FHA mortgages raised to 14 percent.
June 12	Prime rate reduced to 11-1/2 percent.	April 20	Prime rate reduced to 19-1/2 percent.
July 1	Interest rates on passbook accounts up to 5.5 percent at Savings and Loans and 5.25 percent for banks.	April 28	FHA mortgages reduced to 13 percent.
July 20	Discount rate raised from 9-1/2 percent to 10 percent.		Prime rate reduced to 18-1/2 percent.
August 16	Discount rate raised to 10-1/2 percent.	May 5	Prime rate reduced to 18 percent.
August 24	Federal funds rate raised from 11 percent to 11-1/4 percent.	May 7	Prime rate reduced to 17 percent.
August 26- September 10	Los Angeles Rapid Transit District strike.	May 8	Discount rate surcharge reimposed.
August 28	Prime rate raised from 12 percent to 12-1/4 percent.	May 12	Prime rate reduced to 16-1/2 percent.
August 31- November 21	BART strike.	May 19	Prime rate reduced to 16 percent.
September 4	Federal funds rate raised from 11-1/4 percent.	May 28	Discount rate lowered to 12 percent from 13 percent.
October 6	Change in federal reserve policy announced.	June 4	Prime rate reduced to 13 percent.
<u>1980</u>		June 12	Discount rate lowered to 11 percent. Prime rate reduced to 12-1/2 percent.
February 25	Prime rate raised to 16-1/2 percent.	June 20	Prime rate reduced to 12 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.	June 24	Prime rate reduced to 11-1/2 percent. Some conventional mortgage rates fell to 12 percent.
February 29	Prime rate raised to 16-3/4 percent.	June 25	Carpenters strike in Northern California ended.
March 4	Prime rate raised to 17-1/4 percent.	July 3	ICC begins trucking industry deregulation.
March 7	Prime rate raised to 17-3/4 percent.	July 21- October 23	Motion picture and television industry strikes.
March 13	Prime rate raised to 18-1/4 percent.	July 22	Prime rate reduced to 11 percent.
		July 25	Prime rate reduced to 10-3/4 percent.

CHRONOLOGY--Continued

1980--Continued		1981	
July 28	Discount rate reduced to 10 percent.	January 1	Minimum wage raised from \$3.10 to \$3.35.
August 5	Prime rate raised to 11 percent.	January 6	Prime lowered to 20 percent.
August 27	Prime rate raised to 11-1/2 percent.	January 20	American hostages released from Iran.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.	January 20	Ronald Reagan inaugurated as 40th President of the U.S.
September 12	California mortgage rate raised from 13-1/2 percent to 13-3/4 percent.	January 28	Deregulation of oil and gas industry announced, effective immediately.
September 25	Pacific Southwest Airlines (PSA) pilots strike begins.	January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.	February 16	General Motors and Ford rebate plans announced.
October 2	Prime raised from 13 to 13-1/2 percent.	February 23	Prime rate lowered to 18 percent.
October 3	Prime raised to 14 percent.	March 2	Prime rate lowered to 18-1/2 percent.
October 15	AFTA workers return to work.	March 10	Prime rate lowered to 18 percent.
October 30	Prime raised from 14 to 14-1/2 percent.	March 16	Prime rate lowered to 17-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.	March 18	Prime rate lowered to 17 percent.
November 14	PSA pilots strike ends.	March 26-June 8	United mine workers strike.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.	April 13	Prime rate raised to 17-1/2 percent.
November 21	Prime raised to 17 percent.	April 29	Prime rate raised to 18 percent.
November 28	Prime raised to 17-3/4 percent.	May 4	Prime rate raised to 19 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.	May 5	Discount rate raised from 13 percent to 14 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.	May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
December 11	Prime raised to 20 percent.	May 11	Prime rate raised to 19-1/2 percent.
December 17	Prime raised from 20 to 21 percent.	May 22	Prime rate raised to 20 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.	May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
		June 5	Dollar reaches highest level in international trading since December 1971.

CHRONOLOGY--Continued

<u>1981--(Continued)</u>		<u>1981--(Continued)</u>	
July 8	Prime rate raised to 20-1/2 percent.	December 12	Martial law imposed in Poland.
August 3	Air traffic controller's strike.		<u>1982</u>
August 14	President Reagan signs both the tax- and budget-cut bills into law.	January 22	Federal funds rate raised to 13-1/2 percent.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.	January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
September 1	Prime rate lowered to 20 percent.	January 27	Federal funds rate raised to 13-3/4 percent.
September 21	Prime rate lowered to 19-1/2 percent.	February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
September 22	Fed surcharge cut to 3 percent from 4 percent.	February 18	Prime rate increased to 17 percent.
October	Introduction of All Savers Certificates to stimulate savings.	February 24	Prime rate cut back to 16-1/2 percent.
October 6	Prime rate lowered to 19 percent.	March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
	Egyptian President Sadat assassinated.	March 8	Prime rate lowered to 16 percent.
October 13	Prime rate lowered to 18 percent.	March 16	Prime rate back up to 16-1/2 percent.
October 30	OPEC price set at \$34.00/barrel--the Saudi benchmark.	April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at \$34/barrels.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.	April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
November 2	Fed discount rate cut from 14 percent to 13 percent.	April 12	General Motor and United Auto Workers labor agreement approved.
	Prime rate lowered to 17-1/2 percent.	April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
November 10	Prime rate lowered to 17 percent.	May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
November 13	Prime rate lowered to 16-1/2 percent.	May 13	Braniff Air Lines ceases operation.
	FHA mortgage rate lowered to 15-1/2 percent.	June 25	Secretary of State Alexander Haig resigns.
November 16	Prime rate lowered to 16 percent.	June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.		
December 1	Prime rate lowered to 15-1/2 percent.		
December 4	Fed discount rate lowered from 13 percent to 12 percent.		

CHRONOLOGY--Continued

1982--Continued

July 20 Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.

July 27 Prime rate lowered to 15-1/2 percent.

August 2 Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.

August 9 Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.

August 16 Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.

August 18 Dow Jones Industrial Average rose 38.81 points--an all-time record.

August 19 The stock market trading soared to a record 132,690,000 shares.

August 27 Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

September 19 National Football League players strike began.

Railroad strike involving locomotive engineers began.

September 23 Railroad strike ends.

September 24 FHA mortgage loan rate lowered from 14 percent to 13.5 percent.

October 7 Prime rate lowered to 13 percent.

October 12 Discount rate lowered from 10 percent to 9-1/2 percent.

October 15 Prime rate lowered to 12 percent.

November 1 General Motors reduces auto financing interest rate from 18.0 percent to 10.9 percent.

November 22 Discount rate cut from 9-1/2 percent to 9 percent.

November 23 Prime rate lowered from 12 percent to 11-1/2 percent.

1982 (Continued)

December 13 Discount rate cut to 8-1/2 percent.

December 14 Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5 Super NOW accounts introduced.

January 11 Prime rate lowered to 11 percent.

January 31 Independent truckers strike begins.

February 10 Independent truckers strike end.

February 15 Toyota/GM agreement to build a small car in late 1984.

February 25 Prime rate lowered to 10-1/2 percent.

March 14 OPEC sets \$29 per barrel benchmark price and production quota of 17.5 million barrels.

May 2 A 6.5 magnitude earthquake strikes the town of Coalinga.

June 8 The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.

June 18 Paul Volcker reappointed as Federal Reserve Board Chairman.

June 24 The Federal Budget deficit totalled a record \$29.29 billion in May.

July 7 The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.

July 13 Chrysler Corporation announced it will repay the remaining \$800 million in federally guaranteed loans by September, seven years before they are due.

July 25 The Washington Public Power Supply System defaulted on \$2.25 billion in bonds, creating the largest municipal default in U.S. history.

CHRONOLOGY--Continued

1983 (Continued)

August 1 California's \$1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling \$700 million, maturing next April and June, were oversubscribed.

August 2 The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.

August 7-
August 28 The Communications Workers of America and two other unions strike AT&T.

August 8 Prime rate raised from 10-1/2 percent to 11 percent by most major banks.

August 23 The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.

September 1 Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.

November 1 Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.

November 3-
December 21 Strike against Greyhound Lines Inc.

December 1 FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3 Breakup of AT&T becomes effective.

February 2 Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.

March 19 Prime rate raised from 11 percent to 11-1/2 percent.

March 20 Maximum rate on VA loans raised from 12-1/2 to 13 percent.

April 4 Prime rate raised from 11-1/2 percent to 12 percent.

April 9 Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.

1984 (Continued)

May 5 Prime rate raised from 12 percent to 12-1/2 percent.

June 26 Prime rate raised from 12-1/2 percent to 13 percent.

September 3 -
December 7 Hotel and restaurant strike - San Francisco.

September 15 -
October 14 UAW-General Motors strike.

September 28 Prime rate reduced from 13 percent to 12-3/4 percent.

October 16 Prime rate reduced from 12-3/4 percent to 12-1/2 percent.

October 28 Prime rate reduced from 12-1/2 percent to 12 percent.

November 7 Prime rate reduced from 12 percent to 11-3/4 percent.

November 21 Discount rate reduced from 9 percent to 8-1/2 percent.

November 28 Prime rate reduced from 11-3/4 percent to 11-1/4 percent.

December 17 Prime rate reduced from 11-1/4 percent to 10-3/4 percent.

December 24 Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1 Federal price controls removed from approximately half of the natural gas produced in the United States.

January 15 Prime rate reduced from 10-3/4 percent to 10-1/2 percent.

March 9 Home State Savings Bank Cincinnati, Ohio closed.

March 15 Seventy Ohio thrift institutions closed to prevent run on deposits.

March 25 Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.

May 2 Auto manufacturer's initiate low interest loan programs.

May 17-
June 14 United Airlines--Air Pilots Association strike.

CHRONOLOGY--Continued

<u>1985 (Continued)</u>		<u>1985 (Continued)</u>	
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.	December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.
May 20	Dow Jones Industrials close above 1,300 for the first time.		
May 29	Presidents' tax reform plan unveiled.		
June 18	Prime rate reduced to 9 1/2 percent from 10 1/2 percent.		
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.		
July 22- October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.		
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.		
August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.		
September 4	The Farm Credit System seeks a Federal bailout of its \$74 billion loan portfolio.		
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.		
September 16	Saudi Arabia announces plans to boost oil production and cut prices.		
September 22	G-5 agreement to push the dollar lower.		
November 7	Dow Jones Industrials close above 1400 for the first time.		
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.		
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to \$2 trillion and setting deficit targets for each year through 1991.		

SOURCES OF STATISTICAL SERIES

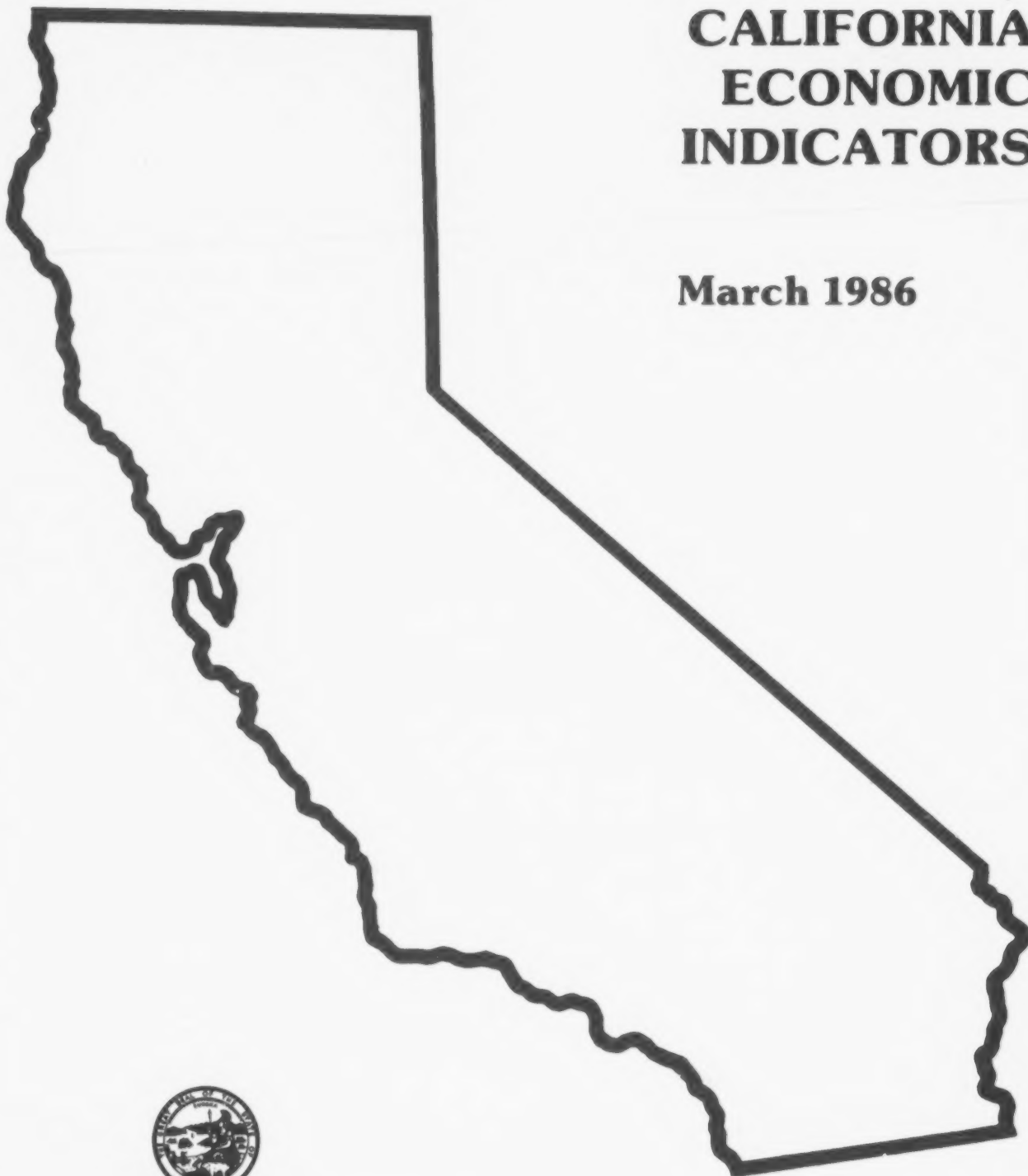
Employment Development Department Employment Data and Research	Civilian Employment Unemployment Unemployment rate Nonagricultural employment Manufacturing employment Hours and earnings Nonagricultural placements Initial claims for unemployment insurance Insured unemployment Index for production worker hours
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Index of leading indicators
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
Security Pacific National Bank	Housing units authorized Valuation of nonresidential construction
U.S. Department of Commerce	Retail sales
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
California Redwood Association	Lumber production
Conservation Committee of California Oil Producers	Petroleum production
American Iron and Steel Institute	Steel production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Federal Reserve Bank of San Francisco	Demand deposits Commercial and industrial loans

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

<u>Initial Trough</u>	<u>Peak</u>	<u>Terminal Trough</u>	<u>Expansion (months)</u>	<u>Contraction (months)</u>	<u>Total (months)</u>
Dec. 1854	June 1857	Dec. 1858	30	18	48
Dec. 1858	Oct. 1860	June 1861	22	8	30
June 1861	April 1865	Dec. 1867	46	32	78
Dec. 1867	June 1869	Dec. 1870	18	18	36
Dec. 1870	Oct. 1873	March 1879	34	65	99
March 1879	March 1882	May 1885	36	38	74
May 1885	March 1887	April 1888	22	13	35
April 1888	July 1890	May 1891	27	10	37
May 1891	Jan. 1893	June 1894	20	17	37
June 1894	Dec. 1895	June 1897	18	18	36
June 1897	June 1899	Dec. 1900	24	18	42
Dec. 1900	Sept. 1902	Aug. 1904	21	23	44
Aug. 1904	May 1907	June 1908	33	13	46
June 1908	Jan. 1910	Jan. 1912	19	24	43
Jan. 1912	Jan. 1913	Dec. 1914	12	23	35
Dec. 1914	Aug. 1918	March 1919	44	7	51
March 1919	Jan. 1920	July 1921	10	18	28
July 1921	May 1923	July 1924	22	14	36
July 1924	Oct. 1926	Nov. 1927	27	13	40
Nov. 1927	Aug. 1929	March 1933	21	43	64
March 1933	May 1937	June 1938	50	13	63
June 1938	Feb. 1945	Oct. 1945	80	8	88
Oct. 1945	Nov. 1948	Oct. 1949	37	11	48
Oct. 1949	July 1953	May 1954	45	10	55
May 1954	Aug. 1957	April 1958	39	8	47
April 1958	April 1960	Feb. 1961	24	10	34
Feb. 1961	Dec. 1969	Nov. 1970	106	11	117
Nov. 1970	Nov. 1973	March 1975	36	16	52
March 1975	Jan. 1980	July 1980	58	6	64
July 1980	July 1981	November 1982	12	16	28

CALIFORNIA ECONOMIC INDICATORS

March 1986



DEPARTMENT OF FINANCE

INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Census Bureau publication Business Conditions Digest, the report contains the following regular features:

- . review of economic developments
- . current California economic data table
- . economic indicator charts
- . basic data for California economic series
- . chronology of major economic events

Developments in California over the most recent months are reviewed in a brief text, and then summarized in a current data table which shows changes over the previous year. Charts containing monthly and quarterly series from 1972 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State economy. Much of the data in the report has been seasonally adjusted by the source agency or the Department of Finance.

Sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published. Finally, reference dates for U.S. business cycles, as determined by the National Bureau of Economic Research, are shown on the back of the publication.

The Department of Finance welcomes suggestions on additions or changes which would make the Indicators a more useful publication. Correspondence should be addressed to: State of California, Department of Finance, Financial Research Unit, 1025 P Street, Sacramento, CA 95814.

Subscriptions are \$8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

<u>Beginning Subscription Date</u>	<u>Prorated Amount Due</u>
January	\$8.00
March	6.75
May	5.40
July	4.05
September	2.70
November	1.35

Mail Subscription requests and prepayment (no billing available) to the California Department of Finance, P.O. Box 151, Sacramento, CA 95801. Make checks payable to the California Department of Finance.

REVIEW OF ECONOMIC DEVELOPMENTS

1986 appears to be off to a good start. Employment is still rising, and retail sales indicate that consumer spending remains strong. Housing construction continues at an above-average rate. Declines in interest rates and oil and gasoline prices are expected to have favorable impacts on the pace of economic expansion.

Employment continues to rise steadily. Between February 1984 and February 1985 civilian employment grew 1.6 percent. A large increase in the labor force in February, however, caused the jobless rate to increase to 7.2 percent. This sharp rise in the unemployment rate, as well as the large drop to 5.8 percent in January, have been attributed to measurement problems, rather than actual swings in the employment situation. The national unemployment rate stood at 7.3 percent in February.

In terms of nonagricultural wage and salary workers, job increases were particularly significant in February. The 3.7 percent year-over-year gain in that month represented growth in every sector except mining. Again, construction exhibited the largest gains, with an 8.3 percent increase on a year-over-year basis. The services, transportation-utilities, and trade sectors were also strong. The California performance remains significantly better than the national pattern.

Personal income has reflected the employment situation. It is now estimated that income rose to \$399.9 billion for 1985, a gain of 7.7 percent from the 1984 level. Trends in personal income were somewhat erratic over the past year, however. Preliminary estimates for the fourth quarter suggest a moderate increase. The wage and salary totals indicate an overall average wage gain last year of 3.6 percent, which is comparable to the general increase in consumer prices during 1985.

Other income components continue to rise at a fairly steady pace. Nonfarm proprietor's income was up 11.7 percent. Farm proprietors saw an 8.4 percent decline in income, however, payments farmers received from the Commodity Credit Corporation have not yet been incorporated into the estimates. Interest income gained 4.4 percent, while dividends grew 6.9 percent and rent was up 10.5 percent. Transfer payments, after experiencing a year of slow growth in 1984, gained 7.4 percent in 1985.

For the fourth quarter, total personal income in California amounted to \$406.6 billion at a seasonally adjusted annual rate, up 6.7 percent from the year-earlier level.

Inflation has remained moderate in the State. The California Consumer Price Index was up 4 percent between February 1985 and February 1986. Residential rents and homeowner's costs were responsible for most of the rise. The homeowner's cost component was up more than 9 percent on a year-over-year basis in the San Diego and San Francisco regions, and up nearly 7 percent in Los Angeles. On the other hand the transportation index moved lower on a

month-to-month basis, reflecting the 5.8 percent drop in gasoline prices during the month. Prices for apparel and upkeep, which declined 1 percent during the month, may also have been affected by falling petroleum prices. Changes in food prices continue to be restrained also. Medical care price increases are still in the 6 to 8 percent range.

Construction activity continues to grow. In 1985, 263,682 housing units were authorized for construction--a gain of 21 percent from the 1984 level. For the second year in a row, multiple units exceeded single units construction. Last year construction in multi-family units accounted for 58.4 percent of residential construction in California.

The first two months of 1986 have apparently started off with a strong uptrend. Increased demand for housing spurred by dramatically lower interest rates has further fueled the already expanding construction sector. The Federal Home Loan Bank Board reported that the average contract interest rate on conventional mortgages in January was 10.3 percent in Los Angeles--the lowest in more than 6 years.

Lower interest rates have also induced a wave of refinancings by holders of mortgages at higher rates. This, in combination with the surge of loan applications for new construction and resales, has favorably impacted the profitability of the State's lending institutions. In 1985 earnings were up more than \$1 billion for California savings and loan associations, due largely to the drop in interest rates that began earlier in the year. Overall, California's financial institutions appear to be in good shape, and able to accommodate the demand for financing stimulated by the residential construction sector.

Nonresidential construction data are available only through the end of last year. They indicate a moderate finish to 1985. Commercial building was supported primarily by activity in the office, bank and professional building category, which accounted for half of all commercial construction projects during the year. The continued strength in this category has resulted in office building vacancy rates which have increased rapidly over the past few years. San Jose, the Oakland-East Bay Area and Sacramento each had office building vacancy rates in excess of 24 percent for December 1985. It is probable that impending tax law changes contributed, at least in part, to the recent expansion in office building, with developers anticipating the possible tightening of tax shelters and depreciation rates.

REVIEW OF ECONOMIC DEVELOPMENTS (Continued)

The hotel and motel category showed the greatest amount of growth in percentage terms, though. Activity in this category was up 44 percent from 1984. Industrial building fell 3 percent, and additions and alterations rose 21 percent. The overall 11 percent gain in nonresidential construction permits in 1985 insures a sustained pace of activity in 1986.

Retail sales ended 1985 on a more subdued pace than exhibited earlier in the year. The December-December increase was 8.2 percent. This may reflect in large part the mediocre 10.9 percent rise in auto sales for that period. California's \$14.3 billion in retail sales represented 12.1 percent of all retail sales in the nation in December. Preliminary data based on sales tax information indicate retail sales excluding cars were weak in January and February.

Car sales were up strongly, however, in the beginning of 1986. New car registrations--a proxy for auto sales--totaled 116,732 on a seasonally adjusted basis in February, which was 27.6 percent higher than the level for February of 1985. The impact of dealer incentive programs was obviously a major factor contributing to the advance in auto sales. Since the incentive programs ended in late February, it is anticipated that sales were softer in March. However, this effect may not show up immediately in the registration data for California, since dealers can hold registrations up to 20 days.

CURRENT CALIFORNIA ECONOMIC DATA

	1986		1985				Percent Change
	February	January	December	November	February	January	February 1985 February 1986
<u>Employment^{a/}</u>							
Civilian employment (000) - - - - -	12,232	12,211	12,086	12,056	12,045	11,987	1.6
Unemployment (000) - - - - -	955	755	865	888	893	943	6.9
Unemployment rate - - - - -	7.2	5.8	6.7	6.9	6.9	7.3	--
<u>Nonagricultural wage and salary^{a/} employment^{b/} (000)- - - - -</u>							
	11,243.0	11,221.2	11,150.0	11,123.1	10,845.0	10,820.9	3.7
Mining - - - - -	47.7	47.8	47.7	47.8	50.8	50.7	-5.9
Construction - - - - -	515.7	520.8	507.5	507.2	476.1	469.4	8.3
Manufacturing - - - - -	2,097.3	2,103.8	2,093.8	2,086.9	2,092.6	2,099.3	0.2
Aerospace ^{c/} - - - - -	755.7	757.5	758.3	737.0	736.5	736.4	2.6
Transportation and public utilities -	585.4	585.1	581.4	579.1	565.2	562.7	4.0
Trade - - - - -	2,701.1	2,684.2	2,651.5	2,644.3	2,585.5	2,581.6	4.5
Finance, insurance, and real estate -	735.9	732.7	732.2	730.6	711.6	708.1	3.4
Services - - - - -	2,734.8	2,725.6	2,713.7	2,708.3	2,589.8	2,580.7	5.6
Government - - - - -	1,825.1	1,821.2	1,822.2	1,818.9	1,773.4	1,768.4	2.9
Federal - - - - -	350.5	350.9	349.2	349.3	340.4	338.9	3.0
State and local - - - - -	1,474.6	1,473.0	1,473.0	1,469.6	1,433.0	1,429.5	2.9
<u>Hours and Earnings, Manufacturing</u>							
Average weekly hours - - - - -	39.9	40.1	41.2	40.4	39.8	40.0	
Average weekly earnings - - - - -	409.37	413.43	427.66	413.29	397.20	399.60	
Average hourly earnings - - - - -	10.26	10.31	10.38	10.23	9.98	9.99	
Index of Leading Indicators - - - - -	n.a.	n.a.	140.9	141.6	140.0	138.7	--
<u>Trade^{a/}</u>							
Retail sales (millions) - - - - -	n.a.	n.a.	\$14,301	\$14,472	\$13,634	\$13,668	--
New auto registrations (number) - - - -	101,207 ^{p/}	119,824 ^{p/}	111,180 ^{r/}	94,147 ^{r/}	91,456	101,359	10.7
New Incorporations (number) ^{a/} - - - -	5,642	5,740	5,277 ^{r/}	5,446 ^{r/}	4,997	4,931	12.9
<u>Consumer Price Index, all items^{d/}</u>							
California average (1967=100) - - - - -	335.7	n.a.	334.1	n.a.	322.9	n.a.	4.0
San Francisco (1967=100) - - - - -	336.0	n.a.	336.4	n.a.	328.7	n.a.	2.2
Los Angeles (1967=100) - - - - -	320.4	326.8	326.1	325.0	314.1	313.0	2.0
San Diego (1967=100) - - - - -	n.a.	381.9	n.a.	379.0	n.a.	364.1	--
<u>Production</u>							
Petroleum (000 barrels daily) - - - - -	n.a.	n.a.	n.a.	1,184.5	1,155.8	1,132.7	--
Portland cement (000 short tons)- - - -	n.a.	733.3	685.4	696.8	691.9	711.0	--
Selected redwood mill production (mil. FBM)	n.a.	59.26	43.09	44.28	64.51	71.86	--
<u>Construction^{a/}</u>							
Private residential housing units authorized, SAAR (000)- - - - -	n.a.	n.a.	216.9	245.7	242.2	241.0	--
Nonresidential building authorized, valuation (millions)- - - - -	n.a.	n.a.	\$1,003	\$1,019	\$1,084	\$1,053	--

^{a/}Adjusted for seasonal variation.^{b/}Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.^{c/}The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.^{d/}All urban series. New basis since January 1983.^{p/}Preliminary estimate.^{r/}Revised.

n.a. Not available

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census, Technical Paper No. 15, The X-11 Variant of the Census Method II, Seasonal Adjustment Program (November 1965.)

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's

publication, Business Cycle Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hours series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

Manufacturing Employment

This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable Sales

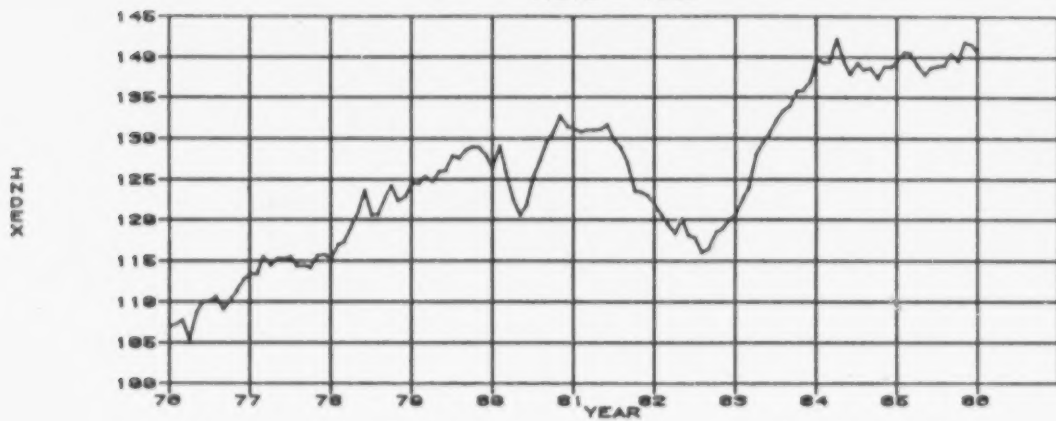
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but will be of interest to persons looking at overall economic developments.

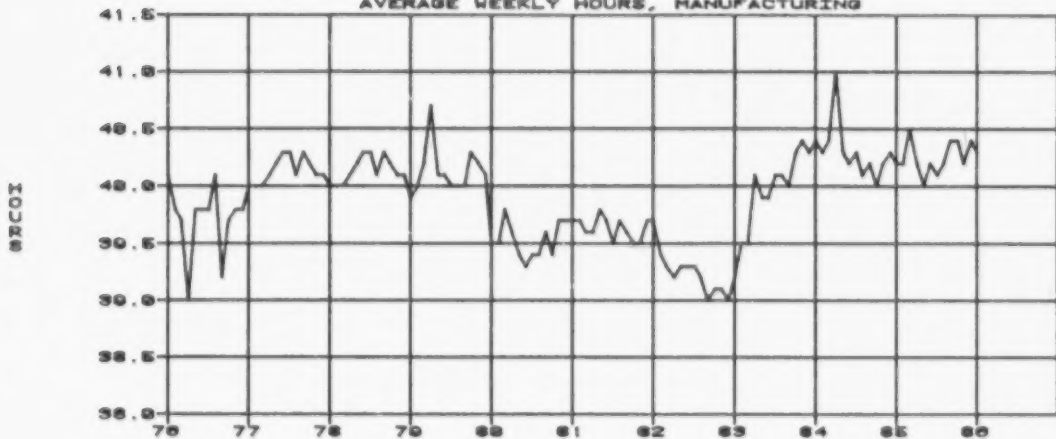
Standard Abbreviations

n.a.	Not available	p	Preliminary
e	Estimate	r	Revised

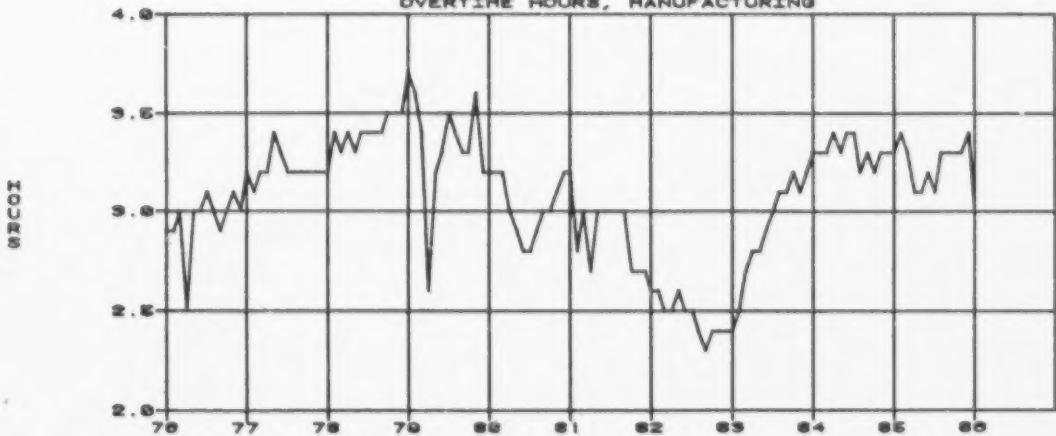
CALIFORNIA INDEX OF LEADING ECONOMIC INDICATORS
(1972 = 100)



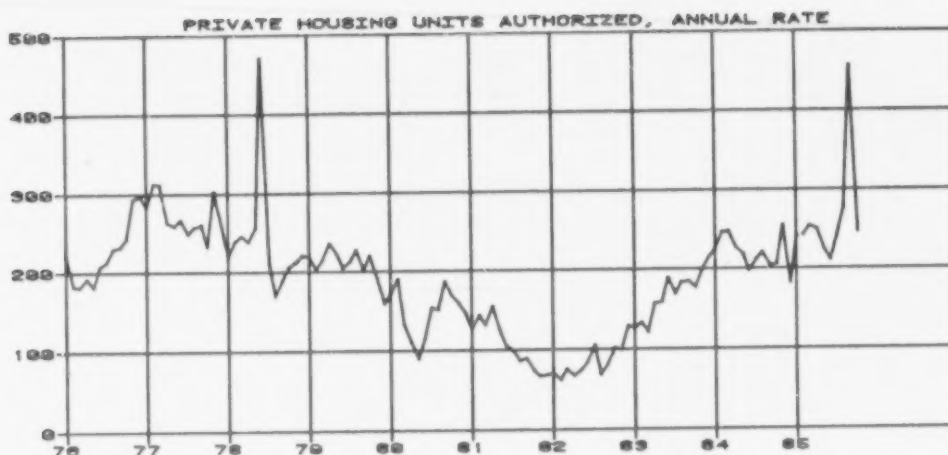
AVERAGE WEEKLY HOURS, MANUFACTURING



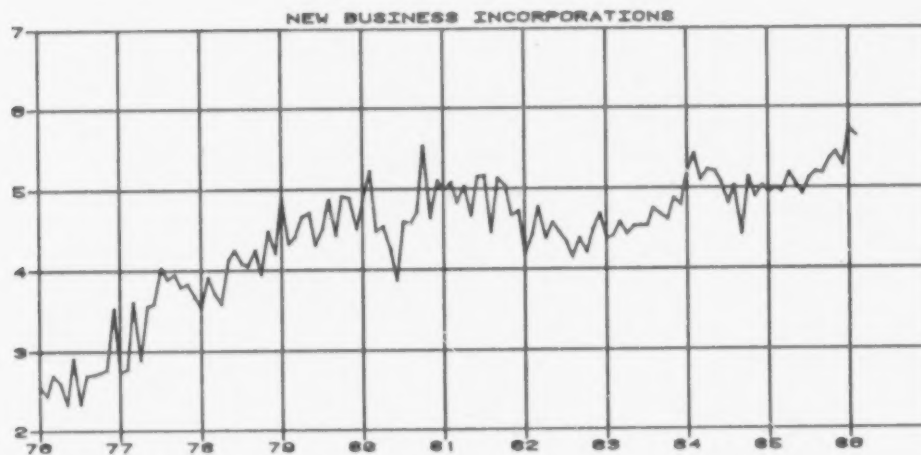
OVERTIME HOURS, MANUFACTURING



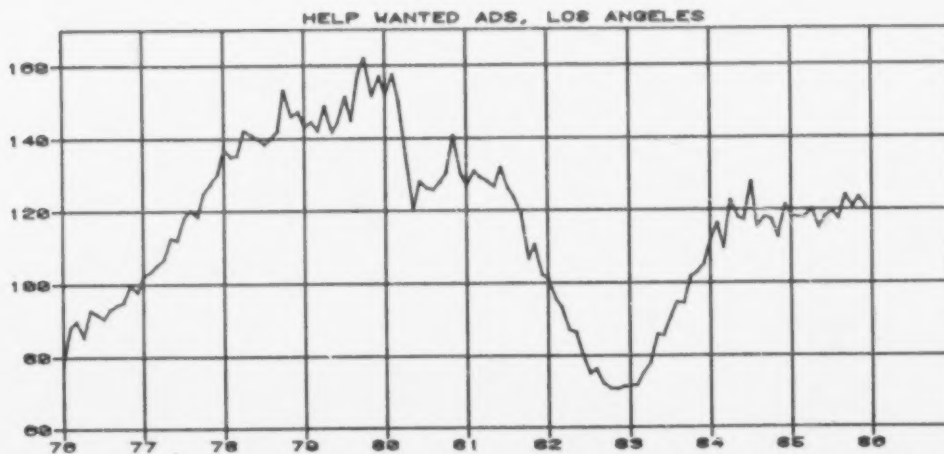
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SDZASCOIT



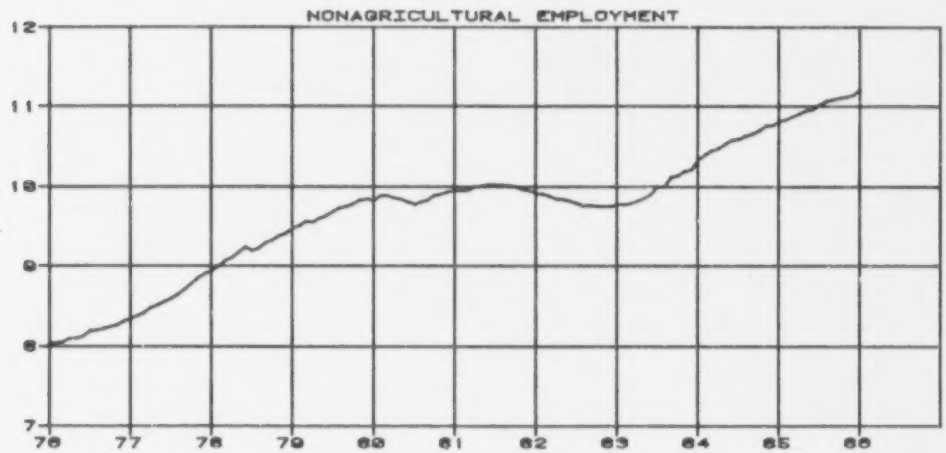
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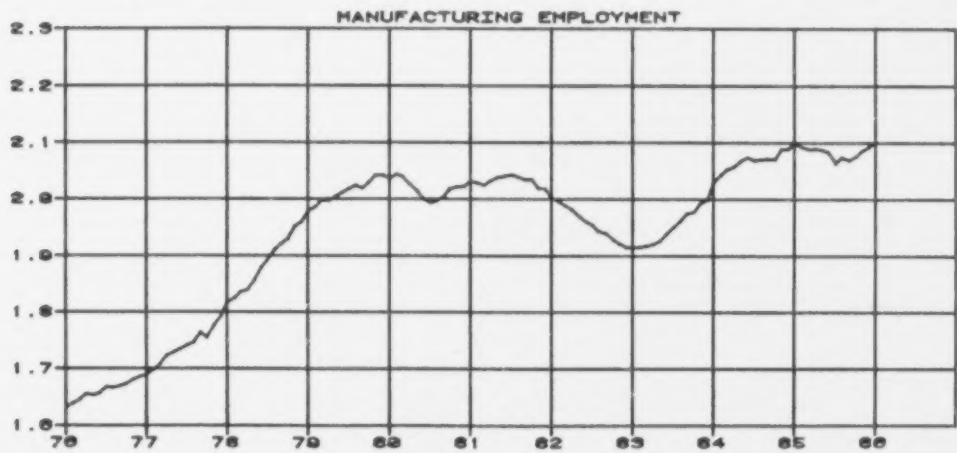
WZASCOIT



WZOHLLHX



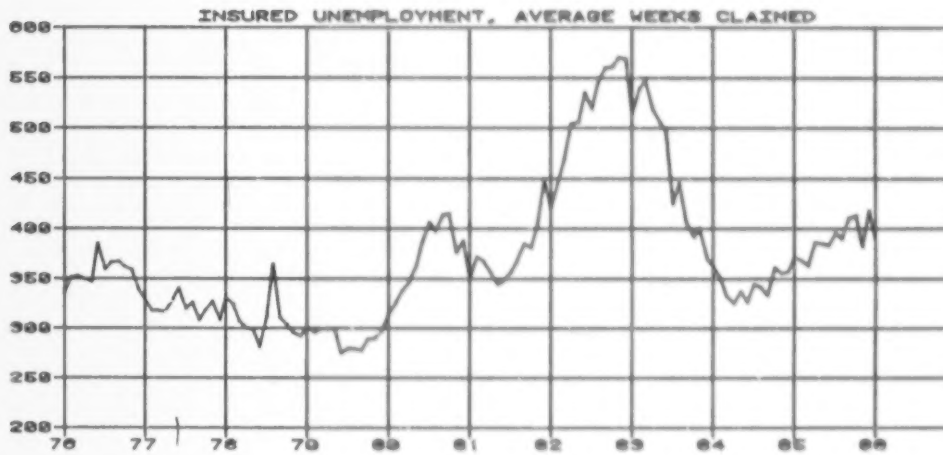
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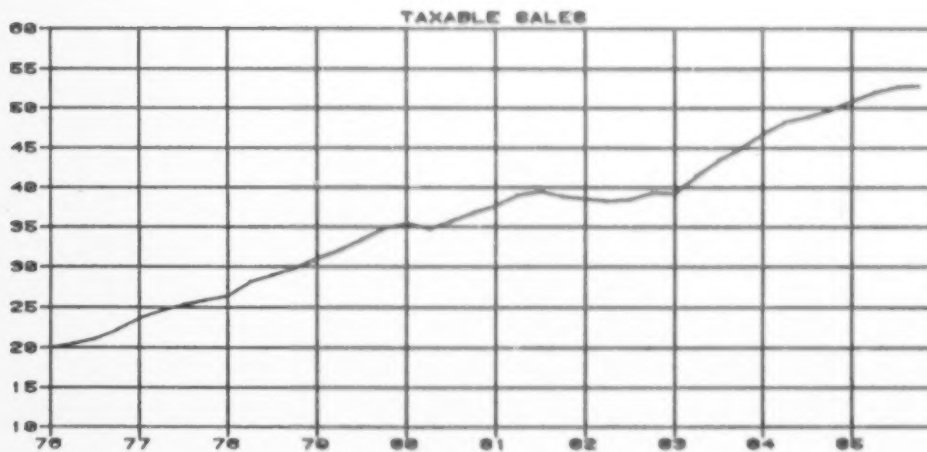
PERCENT



THOUSANDS



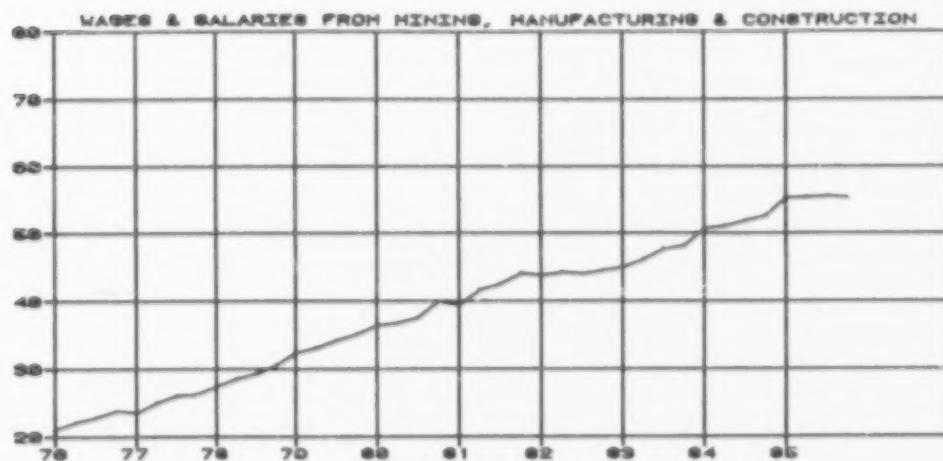
THOUSAND DOLLARS



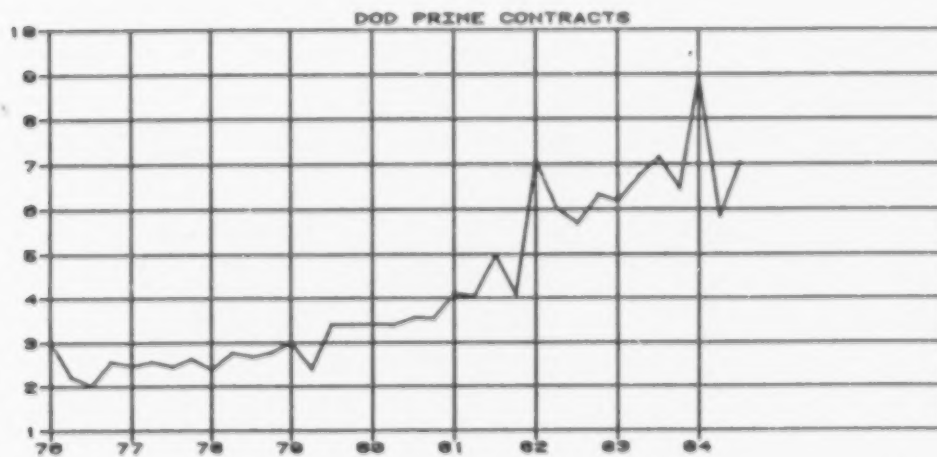
SEATTLE ZONE



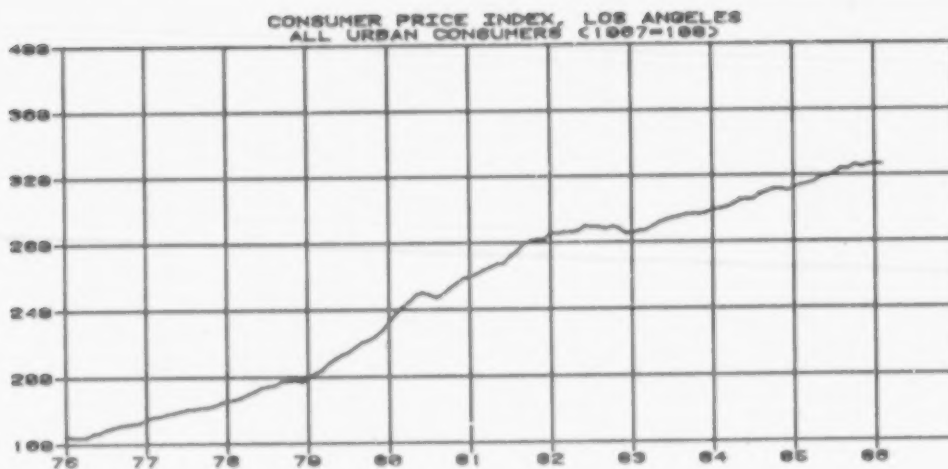
SEATTLE ZONE



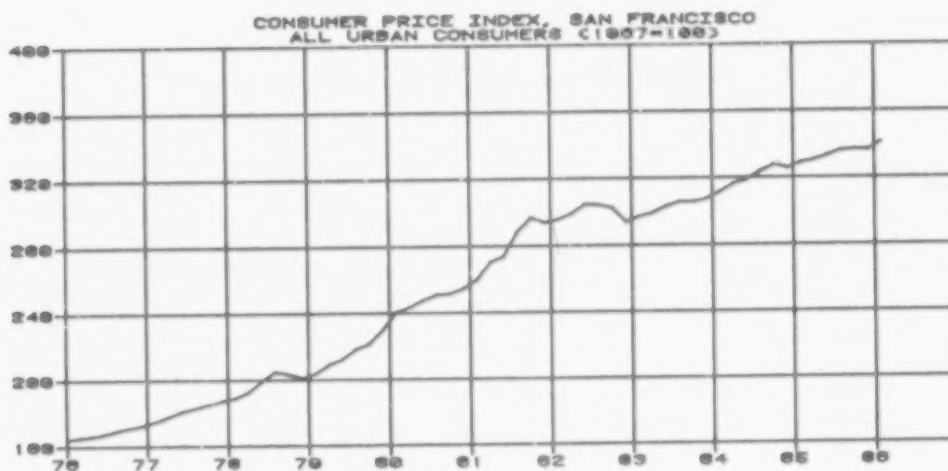
SEATTLE ZONE



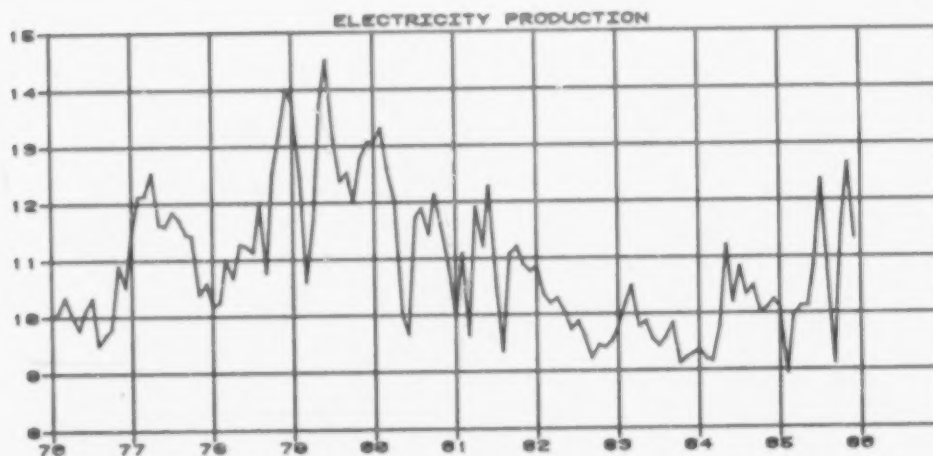
XR02M



XR02M



IER ZOHFFMB



BASIC DATA FOR CALIFORNIA ECONOMIC SERIES
(Seasonally Adjusted Except as Noted)
Leading Indicators

Year and Month	Index of Leading Indicators (1972=100) r/	Average Weekly Hours, Manufac- turing	Help Wanted Ads-- Los Angeles Area (thousands)	Initial Claims for Unemployment Insurance Weekly Avg. (thousands)	Overtime Hours Manufac- turing	Total Housing Units Authorized (thousands) a/	New Business Incorporations
<u>1982</u>							
January	122.0	39.7	101.1	64.5	2.6	72.4	4,189
February	120.6	39.4	95.6	64.9	2.6	66.0	4,427
March	119.5	39.3	93.2	70.1	2.5	74.3	4,772
April	118.4	39.2	87.1	76.4	2.5	70.3	4,383
May	120.2	39.3	86.2	68.9	2.6	78.1	4,573
June	118.1	39.3	80.2	72.2	2.5	90.9	4,467
July	117.8	39.3	75.0	73.3	2.5	101.0	4,332
August	116.0	39.2	76.2	75.0	2.4	68.5	4,138
September	116.5	39.0	72.2	76.8	2.3	73.4	4,379
October	118.5	39.1	70.9	72.6	2.4	88.7	4,203
November	118.9	39.0	70.7	76.3	2.4	93.4	4,493
December	120.0	39.0	71.5	73.9	2.4	127.5	4,681
<u>1983</u>							
January	120.7	39.2	71.5	73.9	2.4	130.9	4,378
February	122.6	39.5	71.8	73.0	2.5	141.7	4,416
March	124.1	39.5	75.1	75.9	2.7	116.9	4,580
April	128.0	40.1	77.8	69.3	2.8	160.1	4,430
May	129.5	39.9	85.6	67.9	2.8	167.1	4,527
June	130.7	39.9	85.5	65.2	2.9	208.4	4,539
July	132.2	40.1	90.7	60.7	3.0	157.3	4,534
August	133.4	40.1	94.5	61.4	3.1	174.6	4,746
September	134.0	40.0	94.4	58.8	3.1	158.9	4,674
October	135.7	40.3	101.6	56.2	3.2	145.8	4,609
November	135.9	40.4	102.9	56.7	3.1	186.3	4,880
December	137.0	40.3	105.2	54.1	3.2	215.5	4,787
<u>1984</u>							
January	139.7	40.4	111.7	51.3	3.3	235.8	5,210
February	139.2	40.3	116.4	53.1	3.3	250.9	5,416
March	139.4	40.4	109.5	50.7	3.3	244.7	5,098
April	142.2	41.3	122.8	51.5	3.4	230.0	5,227
May	139.6	40.2	117.9	52.3	3.3	215.0	5,200
June	137.9	40.3	117.2	56.1	3.4	206.8	5,069
July	139.3	40.3	127.8	54.2	3.4	200.7	4,807
August	138.4	40.1	115.5	53.3	3.2	216.1	5,020
September	138.6	40.2	118.3	53.0	3.3	174.4	4,425
October	137.3	40.0	117.2	56.0	3.2	191.5	5,136
November	138.8	40.2	112.6	54.3	3.3	256.9	4,888
December	138.8	40.3	121.3	55.5	3.3	177.6	5,031
<u>1985</u>							
January	139.4	40.2	118.3	56.3	3.3	241.0	4,931
February	140.6	40.2	118.1	56.1	3.4	242.2	4,997
March	140.4	40.5	118.1	56.9	3.3	254.0	4,940
April	138.9	40.2	120.3	60.1	3.1	249.5	5,184
May	137.8	40.0	115.1	60.3	3.1	224.1	5,037
June	138.6	40.2	118.3	60.8	3.2	210.3	4,914
July	138.9	40.1	119.7	61.1	3.1	242.0	5,109
August	139.0	40.2	117.7	61.9	3.3	275.6	5,195
September	140.4	40.4	123.9	72.1	3.3	455.6	5,176
October	139.5	40.4	120.8	68.9	3.3	244.7	5,366
November	141.8	40.2	123.5	61.1	3.3	245.7	5,446
December	141.6	40.4	120.6	69.2	3.4	216.9	5,277
<u>1986</u>							
January	140.6	39.4		64.8	3.0		5,740
February							5,642

a/Annual rate basis.
r/revised.

BASIC DATA FOR CALIFORNIA ECONOMIC SERIES (Continued)
(Seasonally Adjusted Except as Noted)

Year and Month	Coincident Indicators						Other Indicators
	Nonagri- cultural Employment (thousands) <u>r/</u>	Wages and Salaries in Mining, Manu- facturing and Construction (mil dol.) <u>a/</u>	Unemploy- ment Rate <u>r/</u>	Insured Unemployment Average Weeks Claimed (thousands) <u>r/</u>	Personal Income (mil dol.) <u>a/</u>	Taxable Sales (mil dol.) <u>a/</u>	Manufac- turing Employment (thousands) <u>r/</u>
<u>1982</u>							
January	1,905.2		8.7	420			2,002.8
February	1,902.9	53,540	8.8	446	305,568	38,488	1,995.7
March	1,878.0		9.3	469			1,989.6
April	1,846.5		9.4	504			1,980.9
May	1,835.1	53,649	9.5	506	310,474	38,263	1,970.0
June	1,818.4		9.6	535			1,961.2
July	1,789.7		10.3	519			1,954.4
August	1,759.4	53,204	10.3	545	312,794	38,404	1,942.8
September	1,764.2		10.2	560			1,938.9
October	1,747.5		10.8	561			1,928.3
November	1,749.1	53,515	11.2	570	318,984	39,353	1,920.7
December	1,749.4		11.1	569			1,913.9
<u>1983</u>							
January	9,772.4		11.0	514			1,913.7
February	9,773.2	53,764	11.2	539	323,182	39,195	1,915.5
March	9,790.5		10.6	548			1,916.2
April	9,823.9		9.9	519			1,920.2
May	9,850.1	55,224	10.5	506	330,703	41,450	1,927.0
June	9,901.2		10.2	496			1,937.5
July	9,997.9		9.1	426			1,950.7
August	9,996.9	57,286	9.5	446	339,773	43,437	1,961.3
September	10,108.4		8.8	406			1,974.3
October	10,134.6		8.5	392			1,977.8
November	10,183.8	57,977	8.4	401	343,942	45,016	1,993.1
December	10,210.9		8.2	370			1,999.1
<u>1984</u>							
January	10,332.1		8.4	362			2,029.6
February	10,395.8	61,741	8.2	350	362,008	46,828	2,043.9
March	10,441.0		8.3	332			2,052.3
April	10,479.9		7.8	326			2,058.9
May	10,535.0	62,040	7.8	337	366,608	48,374	2,068.2
June	10,583.4		7.5	326			2,073.7
July	10,591.9		7.9	344			2,069.9
August	10,634.6	63,048	7.5	341	375,086	48,871	2,071.2
September	10,654.1		7.9	333			2,071.5
October	10,703.5		7.4	361			2,070.3
November	10,759.6	63,874	7.4	355	381,106	49,781	2,088.7
December	10,767.2		7.2	357			2,090.5
<u>1985</u>							
January	10,820.9		7.3	371			2,099.3
February	10,845.0	68,125	6.9	368	395,287 <u>r/</u>	50,949	2,092.6
March	10,871.2		7.1	363			2,088.8
April	10,915.4		7.3	386			2,090.4
May	10,957.3	68,000 <u>r/</u>	7.2	385	397,750 <u>r/</u>	51,947	2,088.1
June	10,962.2		7.6	383			2,084.6
July	11,028.9		7.2	396			2,064.2
August	11,071.8	67,534 <u>r/</u>	7.2	390	399,935 <u>r/</u>	52,690	2,074.2
September	11,092.2		7.3	411			2,069.9
October	11,107.2		7.6	414			2,076.8
November	11,123.1	68,033	6.9	382	406,567	52,889	2,086.9
December	11,150.0		6.7	418			2,093.8
<u>1986</u>							
January	11,221.2		5.8	387			2,103.8
February	11,243.0		7.2				2,097.3

a/ Annual rate basis.
r/ Revised

BASIC DATA FOR CALIFORNIA ECONOMIC SERIES (Continued)
(Seasonally Adjusted Except as Noted)
Other Indicators

Year and Month	DOD Prime Contracts (mil dol.) ^{a/}	Consumer Price Index (1967=100) ^{b/}				Net New S&L Savings ^{b/} (mil dol.)	Electricity Production (mil KWH)
		San Francisco		Los Angeles			
		Wage Earner and Clerical Worker	ATT Urban	Wage Earner and Clerical Worker	ATT Urban		
<u>1982</u>							
January		--	--	289.6	285.6	384	10,854
February	7,080	294.9	295.8	289.2	285.4	172	10,349
March		--	--	290.2	286.4	-180	10,192
April		297.8	298.8	290.3	286.6	-1,084	10,284
May	6,020	--	--	290.6	287.1	-46	10,035
June		303.4	304.6	293.9	290.1	-1,139	9,727
July		--	--	293.0	289.3	-142	9,857
August	5,683	302.8	304.3	292.8	289.1	-411	9,616
September		--	--	291.7	288.2	78	9,223
October		301.3	302.4	292.8	289.5	-614	9,446
November	6,326	--	--	291.6	288.5	779	9,403
December		293.6	293.9	288.0	285.3	3,492	9,527
<u>1983</u>							
January		--	--	288.0	285.6	5,803	9,753
February	6,173	293.9	297.3	290.1	286.8	2,738	10,193
March		--	--	289.6	287.1	1,992	10,484
April		294.7	299.3	290.2	289.5	2,301	9,775
May	6,740	--	--	292.1	292.0	2,381	9,865
June		298.6	303.0	292.1	293.6	1,043	9,558
July		--	--	293.2	294.5	2,066	9,425
August	7,157	301.6	306.0	293.7	295.2	3,207	9,571
September		--	--	296.7	296.4	3,476	9,829
October		301.4	305.7	299.0	297.0	1,678	9,124
November	6,462	--	--	297.8	296.5	273	9,208
December		306.1	307.3	299.9	297.7	2,227	9,296
<u>1984</u>							
January		--	--	297.9	299.1	3,508	9,357
February	8,930	308.7	311.7	299.0	300.2	1,754	9,195
March		--	--	297.9	300.7	3,167	9,156
April		311.1	316.4	298.9	302.8	3,393	9,760
May	5,843	--	--	303.1	305.4	5,312	11,202
June		315.1	318.7	303.4	305.6	3,322	10,201
July		--	--	300.3	305.9	3,244	10,828
August	7,045	322.7	323.4	305.1	308.6	-971	10,320
September		--	--	304.2	310.2	-160	10,480
October		319.3	327.5	302.5	311.9	2,260	10,003
November		--	--	304.2	311.8	1,434	10,085
December		321.5	325.8	306.5	311.1	2,093	10,239
<u>1985</u>							
January		--	--	308.1	313.0	917	10,074
February		324.2	328.7	309.1	314.1	-2,349	8,936
March		--	--	309.8	314.7	-584	9,949
April		326.1	330.4	311.2	315.9	-592	10,111
May		--	--	314.1	319.1	838	10,133
June		328.7	333.2	314.1	319.3	-1,876	10,819
July		--	--	315.8	321.3		12,356
August		330.8	335.8	318.0	323.9		10,890
September		--	--	317.7	323.8		9,115
October		331.0	336.7	320.0	326.1		11,539
November		--	--	319.1	325.0		12,639
December		331.3	336.4	320.1	326.1		11,311
<u>1986</u>							
January		--	--	320.9	326.8		
February		336.0	341.1	320.4	326.6		

^{a/}Quarterly data.

^{b/}Not adjusted for seasonal variation.

^{c/}Revised.

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

<u>1969</u>		<u>1970--Continued</u>	
January 1	Social security contribution rate increased to combined 9.6 percent.	November 10	Discount rate reduced from 6 percent to 5-3/4 percent.
January 7	Prime rate raised from 6-3/4 percent to 7 percent.	November 12	Prime rate reduced from 7-1/2 percent to 7-1/4 percent.
January 24	FHA interest rate raised from 6-3/4 percent to 7-1/2 percent.	November 23	Prime rate reduced from 7-1/4 percent to 7 percent.
March 17	Prime rate raised from 7 percent to 7-1/2 percent.	December 1	Discount rate reduced from 5-3/4 percent to 5-1/2 percent. FHA interest rate reduced from 8-1/2 percent to 8 percent.
April 3	Discount rate raised from 5-1/2 percent to 6 percent; reserve requirement raised.	December 20	13-week extended duration unemployment benefits in effect.
June 9	Prime rate raised from 7-1/2 percent to 8-1/2 percent.	December 22	Prime rate reduced from 7 percent to 6-3/4 percent.
June 12	Required liquidity reserves of savings and loan associations lowered from 6-1/2 percent to 6 percent.		
October 27- February 1970	General Electric strike.		
<u>1970</u>		<u>1971</u>	
January 1	Personal income tax surcharge reduced to 5 percent. Withholding cut.	January 6	Prime rate reduced from 6-3/4 percent to 6-1/2 percent.
January 5	FHA interest rate raised from 7-1/2 percent to 8-1/2 percent.	January 8	Discount rate reduced from 5-1/2 percent to 5-1/4 percent.
January 21	Increased schedule of interest rates on time deposits and certificates of deposit in effect.	January 12	FHA interest rate reduced from 8 percent to 7-1/2 percent.
March 25	Prime rate reduced from 8-1/2 percent to 8 percent.	January 15	Prime rate reduced from 6-1/2 percent to 6-1/4 percent.
April 2-June 2	Teamster strike.	January 18	Prime rate reduced from 6-1/4 percent to 6 percent.
May 6	Stock margin requirement cut from 80 percent to 65 percent.	January 19	Discount rate reduced from 5-1/4 percent to 5 percent.
July 1	Personal income tax surcharge removed.	February 4	Rolls Royce bankruptcy announced.
September 14- November 23	UAW strike against GM.	February 9	Los Angeles earthquake.
September 22	Prime rate reduced from 8 percent to 7-1/2 percent.	February 12	Discount rate reduced from 5 percent to 4-3/4 percent.
		February 16	Prime rate reduced from 6 percent to 5-3/4 percent.
		February 23	Davis Bacon Act regulating construction wages on Federal projects suspended. Suspension revoked on March 29. Wage-price curbs ordered.

CHRONOLOGY--Continued

1971--Continued

1971--Continued

March 16 Prime rate reduced from 5-3/4 percent to 5-1/2 percent.

March 17 Social security bill signed. Benefits raised 10 percent, retroactive to January 1, 1971. Contribution base raised to \$9,000 effective January 1, 1972.

March 25 SST program terminated.

April 1 Interest rates on savings accounts in California banks generally reduced from 4-1/2 percent to 4 percent.

April 23 Prime rate raised from 5-1/4 percent to 5-1/2 percent.

May 1 Liquidity ratio for savings and loan associations raised from 6-1/2 percent to 7-1/2 percent.

May 17-18 Rail strike.

June 1-July 27 Communications workers strike against Western Union.

June 15-21 Prime rate increased from 5-1/2 percent to 5-3/4 percent. General rise to 6 percent on July 7.

June 29-July 16 Northern California construction strike.

July 1-October 6 West Coast dock strike.

July 14-August 2 Telephone strike.

July 15 Discount rate raised from 4-3/4 percent to 5 percent.

July 16-August 2 Rail strike.

July 31 Steel strike averted by accord on contract.

August 2 Lockheed loan guarantee approval.

August 3 Teamsters walkout in Northern California against building contractors.

August 15-November 13 President's economic policy message; 90-day wage-price freeze in effect.

October 1 East and Gulf Coast longshoremen's strike.

October 20 Prime rate reduced from 6 percent to 5-3/4 percent. Further reduction to 5-1/2 percent on November 4.

November 11 Discount rate reduced from 5 percent to 4-3/4 percent.

November 14 Phase II of NEP in effect.

December 6 Stock margin requirements cut from 65 percent to 55 percent.

December 10 Revenue Act of 1971 signed into law.

December 13 Discount rate reduced from 4-3/4 percent to 4-1/2 percent. Prime rate lowered from 5-1/2 percent to 5-1/4 percent.*

Intent to devalue U.S. dollar announced.

1972

January 17-February 20 West Coast dock strike continued.

February 1-March 15 Kaiser Steel Company strike.

July 1 20 percent increase in social security benefits signed into law. Effective September.

September 11 Opening of BART Fremont-Oakland line.

September 21 "Friends of Mammoth" decision.

November 24 Stock margin requirements raised to 65 percent.

1973

January 11 Phase III of NEP in effect.

January 15 Discount rate raised from 4-1/2 percent to 5 percent.

January 27 Viet Nam cease fire signed.

January 29 Opening of BART Richmond-Oakland line.

February 12 10 percent devaluation of U.S. dollar announced.

March 2 Major foreign currency exchanges closed.

March 29 Price controls of meat announced.

* Adoption of a floating prime rate in November 1971 has resulted in frequent minor adjustments in the rate. Information on the range of rates at any one time and the rate charged by the majority of commercial banks may be obtained from the Federal Reserve Bulletin.

CHRONOLOGY--Continued

1973

April 9-13	Consumer meat boycott.
April 23	Discount rate raised from 5-1/2 percent to 5-3/4 percent.
May 10	Discount rate raised from 5-3/4 percent to 6 percent.
June 11	Discount rate raised from 6 percent to 6-1/2 percent.
June 14	60-day price freeze announced.
July 2	Discount rate raised from 6-1/2 percent to 7 percent. Increased reserve requirement on net demand deposits.
July 6	Interest rates increased: FHA mortgage rate: 7 percent to 7-3/4 percent; bank savings rate: 4-1/2 percent to 5 percent; savings and loan rate: 5 percent to 5-1/4 percent.
July 18	Phase IV announced.
August 27	Prime rate at 9-3/4 percent in major institutions.
October 17	Arab nations announce reductions in oil shipment.
November 5-December 18	TWA strike.

1974

January 3	Stock margin requirements cut from 65 percent to 50 percent.
February 1-11	Independent truckers strike, midwest and east coast.
February 15	Prime rate reduced to 9 percent.
February 22	Prime rate reduced to 8-3/4 percent.
March 4	California minimum wage increased to \$2.00 per hour from \$1.65.
March 18	Arab oil embargo lifted.
March 27	Prime rate increased to 9 percent from 8-3/4 percent.
March 28	Prime rate further increased to 9-1/2 percent.
April 15	Federal Reserve raised discount rate to 8 percent from 7-1/2 percent.
April 29	Prime rate up to 10-3/4 percent.

1974--Continued

April 30	Phase IV controls lifted in approximately 165 sectors of the economy.
June 17-August 4	San Diego construction strike.
June 17-July 21	Northern California construction strike.
July 1-Mid-August	Southern California construction strike.
July 1	Transit strikes, San Francisco Bay Area.
August 2-October 21	Los Angeles area transit strike.
August 8	Resignation of President Nixon announced.
August 14	FHA mortgage rate raised to 9-1/2 percent. Prime rate reduced from 12 percent to 11-3/4 percent on limited basis. Prevailing rate on date of major changes: October 21....11 1/2 percent October 28....11 1/4 percent November 4....11 percent November 14...10 3/4 percent November 25...10 1/2 percent
October 8	Prime rate reduced from 12 percent to 11-3/4 percent by several more large banks.

November 12-December 9

December 9 Discount rate reduced from 8 percent to 7-3/4 percent.

1975

January 6	Federal Reserve discount rate cut from 7-3/4 percent to 7-1/4 percent.
January 10	Oil Chemical Atomic Workers Union strike.
January 13	Prime rate reduced to 10 percent. Further major cuts as follows: January 21.....9 3/4 percent January 31.....9 percent February 6.....8 3/4 percent February 19.....8 1/2 percent March 3.....8 1/4 percent March 8.....8 percent
January 21	FHA mortgage rate reduced from 9 percent to 8-1/2 percent.
February 5	Federal Reserve discount rate cut from 7-1/4 percent to 6-3/4 percent.

CHRONOLOGY--Continued

1975--Continued

March 10 Federal Reserve discount rate cut from 6-3/4 percent to 6-1/4 percent.

March 24 Prime rate reduced to 7-1/2 percent by most major banks.

March 25 King Faisal assassinated.

March 29 Tax reduction act signed into law.

May 19 Prime rate reduced to 7-1/4 percent by several major banks.

June 10 Prime rate reduced to 7 percent by most banks.

July 18 Prime rate increased to 7-1/4 percent. Further gains as follows:
 July 25.....7-1/2 percent
 August 11.....7-3/4 percent
 September 15....8 percent

September 1 National Airlines strike.

October 16 Reserve requirement on time deposits reduced from 3 percent to 1 percent.

October 24 Prime rate reduced to 7-3/4 percent. Further reductions as follows:
 October 31.....7-1/2 percent
 November 21.....7-1/4 percent

December 5-19 United Airlines strike.

1976

January 12 Prime rate lowered to 7 percent.

January 19 Federal Reserve discount rate lowered from 6 percent to 5-1/2 percent.

January 21 Prime rate reduced to 6-3/4 percent.

April 1-3 Teamsters strike.

April 9-June 4 Prime rate moving upward, 6-3/4 percent to 7-1/4 percent at most major banks.

April 21 Rubber workers strike.

July 20-August 2 Cannery workers strike.

August 2 Prime rate reduced to 7 percent. Further reductions as follows:
 October 4.....6-3/4 percent
 October 29.....6-1/2 percent
 December 10....6-1/4 percent

1976--Continued

September 15-October 13 Auto workers strike.

October 18 California minimum wage raised to \$2.50 per hour.

December 22 Prime rate reduced to 6 percent by Chase Manhattan Bank. Most banks maintain a prime rate of 6-1/4 percent.

1977

May 16 Prime rate raised to 6-1/2 percent.

May 31 Prime rate raised to 6-3/4 percent.

August 22 Prime rate raised to 7 percent.

August 30 Federal Reserve discount rate raised from 5-1/4 percent to 5-3/4 percent, the first increase since April 1974.

September 16 Prime rate raised to 7-1/4 percent.

October 1-November 24 Longshoremen's strike against East and Gulf Coast ports.

October 7 Prime rate raised to 7-1/2 percent.

October 10-January 4 IAM-Lockheed strike.

October 24 Prime rate raised from 7-1/2 percent to 7-3/4 percent.

October 26 Discount rate raised from 5-3/4 percent to 6 percent.

December 6-March 24 United Mine Workers strike.

1978

January 1 U.S. minimum wage increased to \$2.65 per hour.

January 9 Discount rate raised from 6 percent to 6-1/2 percent.

January 10 Prime rate raised to 8 percent.

February 28 FHA mortgage rate raised from 8-1/2 percent to 8-3/4 percent.

April 1 California minimum wage increased from \$2.50 to \$2.65 per hour.

April 1-May 28 United Airlines strike.

May 4 Prime rate raised from 8 percent to 8-1/4 percent.

CHRONOLOGY--Continued

<u>1978--Continued</u>		<u>1978--Continued</u>	
May 8	California savings and loan associations raised mortgage rates from 9-3/4 percent to 10 percent.	October 12	Prime rate raised from 9-3/4 percent to 10 percent.
May 12	Discount rate raised to 7 percent.	October 15	Tax cut and energy bills passed by Congress.
May 23	Federal funds rate increased to 7-1/2 percent.	October 16	Discount rate raised from 8 percent to 8-1/2 percent.
	FHA-VA mortgage rate raised from 8-3/4 percent to 9 percent.	October 18	Federal funds rate raised from 8-3/4 percent to 8-7/8 percent.
May 26	Prime rate raised from 8-1/4 percent to 8-1/2 percent.	October 24	Prime rate raised from 10 percent to 10-1/4 percent.
June 6	Proposition 13 approved by California voters.		California mortgage rates raised from 10 percent to 10-1/4 percent at several savings and loan institutions.
June 16	Prime rate raised to 8-3/4 percent.	October 24	Phase II announced: voluntary guidelines on wages and prices.
June 20	OPEC announced a freeze on crude oil prices until December 16.	November 1	Discount rate raised from 8-1/2 percent to 9-1/2 percent.
June 22	Federal funds rate raised from 7-1/2 percent to 7-3/4 percent.		Prime rate raised to 10-1/2 percent.
June 29	FHA-VA mortgage rate raised to 9-1/2 percent.	November 3	Prime rate raised from 10-1/2 percent to 10-3/4 percent.
June 30	Prime rate raised to 9 percent.	November 13	Prime rate raised from 10-3/4 percent to 11 percent.
July 10	Discount rate raised to 7-1/4 percent.	November 24	Prime rate raised to 11-1/2 percent.
July 18	Teamsters union strike affecting supermarkets throughout Northern California.	November 27	Federal funds rate raised from 9-3/4 percent to 9-7/8 percent.
August 20	Retail clerks union strike in Southern California.	December 4	Rollover for 6-month certificates of deposit (CDs) began this week.
August 21	Discount rate raised to 7-3/4 percent.	December 19	Federal funds rate raised to 10 percent.
August 29	Federal funds rate raised from 8-1/8 percent to 8-1/4 percent.	December 20	Prime rate raised to 11-3/4 percent.
August 31	Prime rate raised by some eastern banks from 9 percent to 9-1/4 percent.	<u>1979</u>	
September 15	Prime rate raised to 9-1/2 percent.	January 1	U.S. minimum wage increased to \$2.90 per hour.
September 22	Discount rate raised from 7-3/4 percent to 9-3/4 percent.	January 13	Prime rate reduced to 11-1/2 percent.
September 28	Prime rate raised from 9-1/2 percent to 9-3/4 percent.	March 15	Terms for MMCs changed. 1/4 point differential over 9 percent eliminated.
		March 27	OPEC price increases: 9 percent. Selected surcharges imposed.

CHRONOLOGY--Continued

1979--Continued

March 31- May 26	United Airlines-machinist strike.
April 1-10	Teamsters strike.
May 7	Prime rate moved to 11-3/4 percent from 11-1/2 percent.
May 19	Federal funds rate set at 7-1/4 percent.
May 30	Interest rate on conventional mortgages raised to 11-3/4 percent.
June 12	Prime rate reduced to 11-1/2 percent.
July 1	Interest rates on passbook accounts up to 5.5 percent at Savings and Loans and 5.25 percent for banks.
July 20	Discount rate raised from 9-1/2 percent to 10 percent.
August 16	Discount rate raised to 10-1/2 percent.
August 24	Federal funds rate raised from 11 percent to 11-1/4 percent.
August 26- September 10	Los Angeles Rapid Transit District strike.
August 28	Prime rate raised from 12 percent to 12-1/4 percent.
August 31- November 21	BART strike.
September 4	Federal funds rate raised from 11-1/4 percent.
October 6	Change in federal reserve policy announced.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.

1980--Continued

March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent from 13 percent.
June 4	Prime rate reduced to 13 percent.
June 12	Discount rate lowered to 11 percent. Prime rate reduced to 12-1/2 percent.
June 20	Prime rate reduced to 12 percent.
June 24	Prime rate reduced to 11-1/2 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21- October 23	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.

CHRONOLOGY--Continued

<u>1980--Continued</u>		<u>1981</u>	
July 28	Discount rate reduced to 10 percent.	January 1	Minimum wage raised from \$3.10 to \$3.35.
August 5	Prime rate raised to 11 percent.	January 6	Prime lowered to 20 percent.
August 27	Prime rate raised to 11-1/2 percent.	January 20	American hostages released from Iran.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.	January 20	Ronald Reagan inaugurated as 40th President of the U.S.
September 12	California mortgage rate raised from 13-1/2 percent to 13-3/4 percent.	January 28	Deregulation of oil and gas industry announced, effective immediately.
September 25	Pacific Southwest Airlines (PSA) pilots strike begins.	January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.	February 16	General Motors and Ford rebate plans announced.
October 2	Prime raised from 13 to 13-1/2 percent.	February 23	Prime rate lowered to 18 percent.
October 3	Prime raised to 14 percent.	March 2	Prime rate lowered to 18-1/2 percent.
October 15	AFTA workers return to work.	March 10	Prime rate lowered to 18 percent.
October 30	Prime raised from 14 to 14-1/2 percent.	March 16	Prime rate lowered to 17-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.	March 18	Prime rate lowered to 17 percent.
November 14	PSA pilots strike ends.	March 26-June 8	United mine workers strike.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.	April 13	Prime rate raised to 17-1/2 percent.
November 21	Prime raised to 17 percent.	April 29	Prime rate raised to 18 percent.
November 28	Prime raised to 17-3/4 percent.	May 4	Prime rate raised to 19 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.	May 5	Discount rate raised from 13 percent to 14 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.	May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
December 11	Prime raised to 20 percent.	May 11	Prime rate raised to 19-1/2 percent.
December 17	Prime raised from 20 to 21 percent.	May 22	Prime rate raised to 20 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.	May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
		June 5	Dollar reaches highest level in international trading since December 1971.

CHRONOLOGY--Continued

<u>1981--(Continued)</u>		<u>1981--(Continued)</u>	
July 8	Prime rate raised to 20-1/2 percent.	December 12	Martial law imposed in Poland.
August 3	Professional Air Traffic Controller's Organization strike.		<u>1982</u>
January 17, 1986		January 22	Federal funds rate raised to 13-1/2 percent.
August 14	President Reagan signs both the tax- and budget-cut bills into law.	January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.	January 27	Federal funds rate raised to 13-3/4 percent.
September 1	Prime rate lowered to 20 percent.	February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
September 21	Prime rate lowered to 19-1/2 percent.	February 18	Prime rate increased to 17 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.	February 24	Prime rate cut back to 16-1/2 percent.
October	Introduction of All Savers Certificates to stimulate savings.	March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
October 6	Prime rate lowered to 19 percent.	March 8	Prime rate lowered to 16 percent.
	Egyptian President Sadat assassinated.	March 16	Prime rate back up to 16-1/2 percent.
October 13	Prime rate lowered to 18 percent.	April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at \$34/barrels.
October 30	OPEC price set at \$34.00/barrel--the Saudi benchmark.	April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.	April 12	General Motor and United Auto Workers labor agreement approved.
November 2	Fed discount rate cut from 14 percent to 13 percent.	April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
	Prime rate lowered to 17-1/2 percent.	May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
November 10	Prime rate lowered to 17 percent.	May 13	Braniff Air Lines ceases operation.
November 13	Prime rate lowered to 16-1/2 percent.	June 25	Secretary of State Alexander Haig resigns.
	FHA mortgage rate lowered to 15-1/2 percent.	June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
November 16	Prime rate lowered to 16 percent.		
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.		
December 1	Prime rate lowered to 15-1/2 percent.		
December 4	Fed discount rate lowered from 13 percent to 12 percent.		

CHRONOLOGY--Continued

1982--Continued		1982 (Continued)	
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.	December 13	Discount rate cut to 8-1/2 percent.
July 27	Prime rate lowered to 15-1/2 percent.	December 14	Introduction of money market deposit accounts by banks and S&Bs.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.	1983	
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.	January 5	Super NOW accounts introduced.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.	January 11	Prime rate lowered to 11 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.	January 31	Independent truckers strike begins.
August 19	The stock market trading soared to a record 132,690,000 shares.	February 10	Independent truckers strike end.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.	February 15	Toyota/GM agreement to build a small car in late 1984.
September 19	National Football League players strike began.	February 25	Prime rate lowered to 10-1/2 percent.
September 23	Railroad strike involving locomotive engineers began.	March 14	OPEC sets \$29 per barrel benchmark price and production quota of 17.5 million barrels.
September 24	Railroad strike ends.	May 2	A 6.5 magnitude earthquake strikes the town of Coalinga.
October 7	FHA mortgage loan rate lowered from 14 percent to 13.5 percent.	June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
October 12	Prime rate lowered to 13 percent.	June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.
October 15	Discount rate lowered from 10 percent to 9-1/2 percent.	June 24	The Federal Budget deficit totalled a record \$29.29 billion in May.
October 22	Prime rate lowered to 12 percent.	July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
November 1	General Motors reduces auto financing interest rate from 18.0 percent to 10.9 percent.	July 13	Chrysler Corporation announced it will repay the remaining \$800 million in federally guaranteed loans by September, seven years before they are due.
November 22	Discount rate cut from 9-1/2 percent to 9 percent.	July 25	The Washington Public Power Supply System defaulted on \$2.25 billion in bonds, creating the largest municipal default in U.S. history.
November 23	Prime rate lowered from 12 percent to 11-1/2 percent.		

CHRONOLOGY--Continued

1983 (Continued)

August 1 California's \$1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling \$700 million, maturing next April and June, were oversubscribed.

August 2 The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.

August 7-
August 28 The Communications Workers of America and two other unions strike AT&T.

August 8 Prime rate raised from 10-1/2 percent to 11 percent by most major banks.

August 23 The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.

September 1 Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Sakhalin, just north of Japan.

November 1 Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.

November 3-
December 21 Strike against Greyhound Lines Inc.

December 1 FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3 Breakup of AT&T becomes effective.

February 2 Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.

March 19 Prime rate raised from 11 percent to 11-1/2 percent.

March 20 Maximum rate on VA loans raised from 12-1/2 to 13 percent.

April 4 Prime rate raised from 11-1/2 percent to 12 percent.

April 9 Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.

1984 (Continued)

May 5 Prime rate raised from 12 percent to 12-1/2 percent.

June 26 Prime rate raised from 12-1/2 percent to 13 percent.

September 3 -
December 7 Hotel and restaurant strike - San Francisco.

September 15 -
October 14 UAW-General Motors strike.

September 28 Prime rate reduced from 13 percent to 12-3/4 percent.

October 16 Prime rate reduced from 12-3/4 percent to 12-1/2 percent.

October 28 Prime rate reduced from 12-1/2 percent to 12 percent.

November 7 Prime rate reduced from 12 percent to 11-3/4 percent.

November 21 Discount rate reduced from 9 percent to 8-1/2 percent.

November 28 Prime rate reduced from 11-3/4 percent to 11-1/4 percent.

December 17 Prime rate reduced from 11-1/4 percent to 10-3/4 percent.

December 24 Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1 Federal price controls removed from approximately half of the natural gas produced in the United States.

January 15 Prime rate reduced from 10-3/4 percent to 10-1/2 percent.

March 9 Home State Savings Bank Cincinnati, Ohio closed.

March 15 Seventy Ohio thrift institutions closed to prevent run on deposits.

March 25 Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.

May 2 Auto manufacturer's initiate low interest loan programs.

May 17-
June 14 United Airlines--Air Pilots Association strike.

CHRONOLOGY--Continued

1985 (Continued)		1985 (Continued)	
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.	December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.
May 20	Dow Jones Industrials close above 1,300 for the first time.		
May 29	Presidents' tax reform plan unveiled.		1986
June 18	Prime rate reduced to 9 1/2 percent from 10 1/2 percent.	January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.	January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
July 22- October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.	February 26	Corazon Aquino takes over Philippines as the new president.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.	March 3	Dow Jones Industrials close above 1700 for the first time.
August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.	March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
September 4	The Farm Credit System seeks a Federal bailout of its \$74 billion loan portfolio.		Oil prices fall to \$12 per barrel.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.	March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.	March 21	Dow Jones Industrials close above 1800 for the first time.
September 22	G-5 agreement to push the dollar lower.		Conservative Chirac appointed as Prime Minister of France.
November 7	Dow Jones Industrials close above 1400 for the first time.	March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.		
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to \$2 trillion and setting deficit targets for each year through 1991.		

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian Employment Unemployment Unemployment rate Nonagricultural employment Manufacturing employment Hours and earnings Nonagricultural placements Initial claims for unemployment insurance Insured unemployment Index for production worker hours
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Index of leading indicators
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
Security Pacific National Bank	Housing units authorized Valuation of nonresidential construction
U.S. Department of Commerce	Retail sales
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
California Redwood Association	Lumber production
Conservation Committee of California Oil Producers	Petroleum production
American Iron and Steel Institute	Steel production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Federal Reserve Bank of San Francisco	Demand deposits Commercial and industrial loans

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

<u>Initial Trough</u>	<u>Peak</u>	<u>Terminal Trough</u>	<u>Expansion (months)</u>	<u>Contraction (months)</u>	<u>Total (months)</u>
Dec. 1854	June 1857	Dec. 1858	30	18	48
Dec. 1858	Oct. 1860	June 1861	22	8	30
June 1861	April 1865	Dec. 1867	46	32	78
Dec. 1867	June 1869	Dec. 1870	18	18	36
Dec. 1870	Oct. 1873	March 1879	34	65	99
March 1879	March 1882	May 1885	36	38	74
May 1885	March 1887	April 1888	22	13	35
April 1888	July 1890	May 1891	27	10	37
May 1891	Jan. 1893	June 1894	20	17	37
June 1894	Dec. 1895	June 1897	18	18	36
June 1897	June 1899	Dec. 1900	24	18	42
Dec. 1900	Sept. 1902	Aug. 1904	21	23	44
Aug. 1904	May 1907	June 1908	33	13	46
June 1908	Jan. 1910	Jan. 1912	19	24	43
Jan. 1912	Jan. 1913	Dec. 1914	12	23	35
Dec. 1914	Aug. 1918	March 1919	44	7	51
March 1919	Jan. 1920	July 1921	10	18	28
July 1921	May 1923	July 1924	22	14	36
July 1924	Oct. 1926	Nov. 1927	27	13	40
Nov. 1927	Aug. 1929	March 1933	21	43	64
March 1933	May 1937	June 1938	50	13	63
June 1938	Feb. 1945	Oct. 1945	80	8	88
Oct. 1945	Nov. 1948	Oct. 1949	37	11	48
Oct. 1949	July 1953	May 1954	45	10	55
May 1954	Aug. 1957	April 1958	39	8	47
April 1958	April 1960	Feb. 1961	24	10	34
Feb. 1961	Dec. 1969	Nov. 1970	106	11	117
Nov. 1970	Nov. 1973	March 1975	36	16	52
March 1975	Jan. 1980	July 1980	58	6	64
July 1980	July 1981	November 1982	12	16	28

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CALIFORNIA ECONOMIC INDICATORS

May 1986



DEPARTMENT OF FINANCE

INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Census Bureau publication Business Conditions Digest, the report contains the following regular features:

- . review of economic developments
- . current California economic data table
- . economic indicator charts
- . basic data for California economic series
- . chronology of major economic events

Developments in California over the most recent months are reviewed in a brief text, and then summarized in a current data table which shows changes over the previous year. Charts containing monthly and quarterly series from 1972 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State economy. Much of the data in the report has been seasonally adjusted by the source agency or the Department of Finance.

Sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published. Finally, reference dates for U.S. business cycles, as determined by the National Bureau of Economic Research, are shown on the back of the publication.

The Department of Finance welcomes suggestions on additions or changes which would make the Indicators a more useful publication. Correspondence should be addressed to: State of California, Department of Finance, Financial Research Unit, 1025 P Street, Sacramento, CA 95814.

Subscriptions are \$8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

<u>Beginning Subscription Date</u>	<u>Prorated Amount Due</u>
January	\$8.00
March	6.75
May	5.40
July	4.05
September	2.70
November	1.35

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The California economy continues to expand at a steady pace. Employment growth is running above the national average, and housing construction remains strong. Significant gains have been seen in personal income, while inflationary trends continue to moderate. Two areas of uncertainty are in nonresidential construction and retail sales. Overall, however, the outlook for California is for sustained growth through the end of the year.

Employment data are a primary indicator of the health of the economy, and they continue to suggest overall expansion. There are some conflicting aspects, however. Establishment data, relating to nonagricultural wage and salary workers, have shown good gains. Civilian labor force and employment figures are more difficult to interpret, given their somewhat erratic behavior.

In April, for example, total civilian employment fell 19,000. The labor force, however, declined by 33,000 persons. As a result, the unemployment rate saw a slight improvement from 6.9 percent in March to 6.8 percent for April. The national unemployment rate for April was 7.1 percent.

Industry detail from the establishment series illustrates the differing trends characteristic of a prolonged expansion. Trade and services continue to make strong gains. Business and health services are the standout performers with year-over-year gains in excess of 6 percent.

In the goods-producing industries, construction remains the strongest factor. Employment is up 7.6 percent on a year-over-year basis, reflecting the strong pace of both homebuilding and commercial-office development. There are indications, however, that the job total may have reached a plateau. Month-to-month changes since last November have been erratic, with little overall growth.

Manufacturing employment was up in April following two months of decline. Manufacturing appears to have peaked for the current expansion in January 1985 and, on a seasonally adjusted basis, edged lower since that time.

Personal income was revised up with the new data for the third and fourth quarter 1985. It now appears that the total for the year amounted to \$400.1 billion, a gain of 7.8 percent from 1984. The first quarter 1986 estimate shows a surge to \$423.2 billion. The gain is undoubtedly overstated, however, due to unavoidable technical factors.

There appears to have been a change in either the timing or the reporting of wages and salaries which has not yet been reflected in seasonal adjustment factors.

For the last three years the fourth quarter has been unusually low and the first quarter uncharacteristically high after adjustment. The impact of seasonals can be seen most clearly from the following examples:

Sector	1985.IV	1986.I
	Seasonal Factor	Seasonal Factor
Farm	0.989	0.794
Construction	1.065	0.914
Trade	1.033	0.980
Transportation	1.040	0.948
Communication	1.056	0.964

If prior experience is a guide, the next three quarters will show only moderate growth in the adjusted wage and salary component.

Comparing the first quarter 1985 to the first quarter 1986, earnings—which include wages and salaries, other labor income, and proprietors' income—saw a healthy expansion, increasing 9.3 percent. Average wages and salaries, for example, rose 4.9 percent over the year, from \$21,725 to \$22,800.

One weak area is interest income. The small quarterly growth reflects softness in the national series, which determines the California estimate. As a result of falling interest rates, year-over-year first quarter data show a 2.4 percent cutback in interest income. One problem encountered is in the estimate for first quarter rental income, since the newly benchmarked U.S. data are not comparable with California data. It has been assumed that rental income in the State has followed the national pattern with strong growth so far this year. This would certainly be consistent with data on rental prices from the Bureau of Labor Statistics.

Inflation continues to moderate in the State. The California Consumer Price Index was up 3.1 percent from April 1985 to April 1986. That was the smallest year-over-year gain since October of 1983. Petroleum price declines were, again, responsible for most of the overall restraint in prices. Nationally, gasoline prices fell 9.5 percent from March to April, and were down more than 25 percent from the year-earlier level.

The sharp fall in oil prices, however, could be overstating the decline in inflation. According to the U.S. Bureau of Labor Statistics, oil prices have a disproportionate effect on the CPI since the weights in the index are based on oil consumption in 1972 and 1973. The relative use of oil has actually dropped since then. The Bureau of Labor Statistics plans to update CPI weights next January.

Food and apparel prices have also contributed to the overall slowdown in inflation recently. Both of these components have been rising at a 2 to 3 percent rate. However, apparel prices in

San Francisco seem to be firming up a bit after falling for the last year. The apparel and upkeep component in San Francisco increased 6 percent between February and April, an unusually large advance for these months.

Residential rents and homeowners' costs continue to apply upward pressure on the index. Year-to-year increases were just under 9 percent in the San Francisco and San Diego regions--a slight improvement over recent increases of 10 and 11 percent, but still far higher than commodity price trends. Excluding these components, the California CPI is rising at a less-than-one percent rate. In Los Angeles, residential rents and homeowners' costs actually fell between March and April, but they still remain about 10 percent above the year-earlier figures.

Medical care costs are also still rising at a fairly strong pace. Prices were up over 7 percent in April from the year-earlier levels in the Los Angeles and San Francisco regions. Medical care costs continue to increase at a 5 to 6 percent rate in the San Diego Area.

Further good news comes from the residential construction sector, which is reflecting the stimulus of lower interest rates. Housing unit authorizations in March were at a 320,000 rate, their highest level since July 1978. Multi-family units continue to show the largest gains. Strengthening rents, strong demand, and availability of construction financing and the possibility of changes in depreciation rules and other tax aspects impacting construction are undoubtedly contributing to the emphasis on multiples. The impressive number of authorizations in recent months virtually assures a high level of home building for the foreseeable future.

The interest rate aspect is probably the most important of these factors, since it has a very direct bearing on the affordability of housing, particularly for first-time homebuyers. As of April, the average contract interest rate for mortgages in the Los Angeles region was at 9.99 percent. There is considerable debate currently as to the likely course of interest rates for the balance of the year. Predictions of significant firming have not been realized so far, and there is even some thought now that further significant declines could occur.

Nonresidential construction has recovered slightly from the softness seen in the 4th quarter last year. Total authorized valuation so far this year is 14 percent above the early 1985 level. Commercial construction projects have provided the primary strength, with authorizations up 39 percent. High and still rising vacancy rates continue to cause concerns, however, over the ability of the market to absorb

the exceptionally large amount of space being put in place. While activity in this sector is contributing significantly to short-run gains, it could be setting the stage for a pull-back at some point in the next two years.

Retail sales figures are somewhat difficult to interpret. There is evidence of both strength and weakness. New car sales, for instance, have been a major support for economic activity, especially when special promotions to reduce inventories are in effect. The impact of dealer incentive programs is highlighted dramatically, in fact, in the auto registrations data for California. Caution must be used in interpreting the monthly data which can be distorted by processing lags. Even so, it is apparent that the response by California consumers to dealer financing incentives has been pronounced. The advance in car sales during February's incentive programs was followed by a moderate decline in March. As expected, car sales in April showed significant improvement when incentive programs were in effect again. Overall, car sales in the first 4 months of 1986 are up 17 percent from sales in early 1985.

Apart from this, retail sales figures are mixed, and can be interpreted overall as indicating a rather subdued level of activity. On the one hand, year-to-date figures for California from the Bureau of the Census show a 5.7 percent increase in sales from the year-earlier period, a growth rate marginally higher than that for the entire U.S. However, growth rates have tapered steadily since last fall.

Other data also suggest a somewhat weaker situation. Taxable retail sales, for example, were up just over 3 percent in the first quarter, an unusually slow growth rate. There are also suggestions that sales in California--at least for some outlets--may be slower than the national pattern. These trends appear to be at odds with employment and income comparisons, which show the State continuing to do better than the rest of the Nation. One possible explanation is that California consumers are leading the nation again--this time by consciously reducing debt levels which have risen to new highs in relation to income. Whether sales will snap back in the current quarter remains uncertain. Most forecasts are for moderate gains at best until later in the year.

CURRENT CALIFORNIA ECONOMIC DATA

	1986				1985		Percent Change March 1985- March 1986
	January	February	March	April	March	April	
<u>Employment^{a/}</u>							
Civilian employment (000) - - - - -	12,211	12,232	12,338	12,319	12,033	12,010	2.5
Unemployment (000) - - - - -	755	955	912	898	916	952	-.4
Unemployment rate - - - - -	5.8	7.2	6.9	6.8	7.1	7.3	--
<u>Nonagricultural wage and salary^{a/} employment^{b/} (000)- - - - -</u>							
	11,273.0	11,292.5	11,279.4	11,322.6	10,871.2	10,915.4	3.8
Mining - - - - -	48.8	48.7	47.3	46.5	50.9	51.1	-7.1
Construction - - - - -	532.2	524.4	508.3	519.4	477.1	482.6	6.5
Manufacturing - - - - -	2,085.0	2,079.9	2,075.6	2,079.2	2,088.8	2,090.4	-.5
Aerospace ^{c/} - - - - -	757.5	755.7	757.0	756.8	752.9	753.1	.5
Transportation and public utilities -	589.3	589.2	587.8	588.1	564.3	565.9	4.2
Trade - - - - -	2,724.8	2,740.8	2,741.2	2,750.7	2,598.4	2,610.3	5.5
Finance, insurance, and real estate -	738.7	741.5	741.6	742.2	714.1	715.0	3.9
Services - - - - -	2,733.0	2,739.7	2,748.4	2,763.9	2,602.1	2,616.5	5.6
Government - - - - -	1,821.2	1,828.3	1,829.0	1,832.6	1,775.5	1,783.6	3.0
Federal - - - - -	350.9	350.7	349.6	350.3	340.1	343.9	2.8
State and local - - - - -	1,470.3	1,477.6	1,479.4	1,482.3	1,435.4	1,439.7	3.1
<u>Hours and Earnings, Manufacturing</u>							
Average weekly hours - - - - -	40.1	40.0	40.4	40.8	40.4	39.8	
Average weekly earnings - - - - -	\$413.43	\$410.00	\$414.10	\$417.79	\$404.81	\$399.99	
Average hourly earnings - - - - -	\$10.31	\$10.25	\$10.25	\$10.24	\$10.02	\$10.05	
Index of Leading Indicators - - - - -	138.9	142.1	143.6	n.a.	140.3	138.9	2.4
<u>Trade^{a/}</u>							
Retail sales (millions) - - - - -	\$14,652	\$14,160	n.a.	n.a.	\$13,816	\$13,737	--
New auto registrations (number) - - - -	123,210	120,716	97,641 ^{p/}	100,552 ^{p/}	98,246	86,682	-.6
New Incorporations (number) ^{a/} - - - - -	5,740	5,642	5,302	n.a.	4,995	5,316	6.1
<u>Consumer Price Index, all items^{d/}</u>							
California average (1967=100) - - - - -	n.a.	335.7	n.a.	335.1	n.a.	325.0	--
San Francisco (1967=100) - - - - -	n.a.	341.1 ^{r/}	n.a.	339.3	n.a.	330.4	--
Los Angeles (1967=100) - - - - -	326.8	326.6 ^{r/}	328.2	326.8	314.7	315.9	4.3
San Diego (1967=100) - - - - -	381.9	n.a.	379.2	n.a.	369.2	n.a.	2.7
<u>Production</u>							
Petroleum (000 barrels daily) - - - - -	36,626	n.a.	n.a.	n.a.	35,154	34,414	--
Portland cement (000 short tons)- - - -	733.36	579.6	687.3	n.a.	719.0	856.5	-4.4
Selected redwood mill production (mil. FBM)	59.26	55.28	63.82	n.a.	68.2	68.5	-6.4
<u>Construction^{a/}</u>							
Private residential housing units authorized, SAAR (000)- - - - -	279.0	252.5	320.0 ^{q/}	n.a.	254.0	249.5	26.0
Nonresidential building authorized, valuation (millions)- - - - -	\$1,319.0	\$1,118.0	n.a.	n.a.	\$1,114.0	\$1,072.0	--

^{a/}Adjusted for seasonal variation.^{b/}Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.^{c/}The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.^{d/}All urban series. New basis since January 1983.^{p/}Preliminary estimate.^{r/}Revised.

n.a. Not available

THE OUTLOOK FOR 1986 AND 1987

The Department of Finance has revised its November 1985 forecast prepared for the 1986-87 Governor's Budget. The national economy is still expected to advance at a moderate pace. Although the near term indicators are mixed, it is expected that activity will accelerate in coming months. The same performance should continue through 1987. Real GNP is expected to see a gain of 2.7 this year and 4.3 percent, next.

The forecast assumes monetary policy will remain moderately stimulative. Interest rates will decline further in 1986, but firm gradually in 1987. Decreasing mortgage interest rates will stimulate the housing sector in particular, with starts for the year expected to come in only slightly below 2 million units. This will represent a better-than-12 percent gain from 1985. With some price firming, the value of residential investment should be up nearly 11 percent in 1986.

Increases in the consumer price index and GNP deflator are likely to be restrained in 1986, due in large part to declining oil prices. Inflation is expected to pick up in 1987 as oil prices and interest rates stabilize. An average price of \$15 has been used for crude oil.

Employment gains are expected to be moderate with a slight downward movement in the jobless rate. Many industries continue to face structural situations which will deter major expansion. The construction, service and trade sectors, however, are expected to rise strongly. In addition, it appears that some employers, at least, are taking a cautious attitude in adding to payrolls with the economy still relatively sluggish.

Personal income gains will be slow as a result. The low rate of inflation is curbing increases in wages and transfer payments, two of the largest income components, and declining interest rates continues to hold down interest income.

Consumer credit extensions were a major factor in supporting spending in the last two years. Further gains, but at a slower pace, are expected this year. The debt-to-income ratio is likely to rise further, but is not expected to reach unsustainable levels.

Durable consumption will see a small improvement of 2.3 percent in real terms this year, with a rebound to a more impressive 7.5 percent in 1987. The pattern of car sales is largely responsible for the apparent softness in durables. New car sales are forecast at 10.4 million in 1986, down from more than 11 million last year, when sales incentives were undertaken. The decrease this year, in effect, reflects a more normal level of sales. It has been assumed, however, that high inventories will lead to renewed incentives to stimulate sales, and that a significant improvement will be seen in 1987.

Two areas of the greatest uncertainties involve inventories and exports. There are problems in estimating data for these components, and they are subject to substantial swings from quarter to quarter. This can have a major impact on GNP estimates, and a significant variation from the forecast for these components would not be unusual, or even unexpected. These national data underlie the California forecast which was prepared for the May Revision of Revenues and Expenditures.

CALIFORNIA ECONOMIC FORECAST

The California forecast also calls for continued moderate growth in 1986 and 1987, but at a somewhat better pace than experienced in the rest of the country. With the preliminary first quarter data, 1986 appears to be off to a good start.

The projected 3.4 percent gain in wage and salary employment in 1986 will come primarily from the retail trade and service industries. The above-average pace of construction has leveled off after posting

the largest relative job gain of any major sector in 1985. The housing market is expected to continue strong in 1986, with a gradual slowing of activity in 1987. These forecasts assume interest rates remain low, stimulating demand from both builders and buyers. The strength in residential construction will again be in multiple units rather than single family dwellings.

Aerospace/electronics employment should see a slight gain in 1986. Sales appear to have picked up in electronics, and they continue to remain strong in communication equipment and commercial aircraft. While it is difficult to assess the significance of the Gramm-Rudman-Hollings deficit reduction act on Federal spending, defense and space contracts in the pipeline will significantly support this sector's employment in 1986 and at least the first half of 1987.

Given the continued debate whether Gramm-Rudman will have the strong influence anticipated, no severe impact has been incorporated into this forecast.

The unemployment rate in California is expected to drop to 6.7 percent for 1986 and to 6.4 percent for 1987. The nation should see unemployment rates around 6.9 and 6.5 percent for the same two years.

Gains in employment will be tied to favorable interest rates, the low rate of inflation and the high confidence factor for the economy in general. Another factor is the state's attractive and positive business climate, which encourages business formation and job creation.

Trends in personal income provide one of the best measures of overall economic activity in California. Personal income gains will again be stronger in the State than the Nation. In current dollars, personal income will improve 7.3 percent in 1986 to \$428.9 billion. Real income will be up 5 percent. In addition, per capita income will see a slight rise in 1986 from \$15,270 to \$16,243.

Both transfer payments and average wages and salaries will see moderate improvement due to the low rate of inflation. A low rate will result in a decline in interest income in 1986, holding down the overall income gain. One other effect will be a moderate gain in average wages and salaries in relation to total personal income.

Income data for the U.S. was revised to the new benchmark in December 1985. The California data will see a similar revision in August 1986. For now, the U.S. and California income data are not on a comparable basis. No effort has been made in the forecast to anticipate the August revision.

The agricultural industry continues to experience problems. Low prices for many commodities, high debt burdens and increasing foreign competition plague farming operations. However, this phenomena is not across-the-board. The agricultural economy has great diversity, insulated as a whole from adverse factors that undermine one particular commodity market. Additionally, farm prices will become more competitive with the declining value of the dollar. Farm proprietors' income is expected to improve by 7.8 percent in 1986 and 7.1 percent in 1987.

The Consumer Price Index, used to determine the rate of inflation in the State, is expected to rise only 3.3 percent in 1986 and 4.4 in 1987. Actual CPI data through March 1986 were incorporated into the projection. CPI increases for most components are comparable between the Nation and California. The one significant difference is in residential rent. Rent increases in the three areas reported in California outpace the Nation.

Estimates for homeowner's costs are based on changes in residential rents, and are, therefore, rising at an accelerated pace as well. These two components account for nearly a third of the overall CPI for California. The difference between the State and U.S. CPI can be attributed essentially to these two factors.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census, Technical Paper No. 15, The X-11 Variant of the Census Method II, Seasonal Adjustment Program (November 1965.)

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's

publication, Business Cycle Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hours series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

Manufacturing Employment

This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

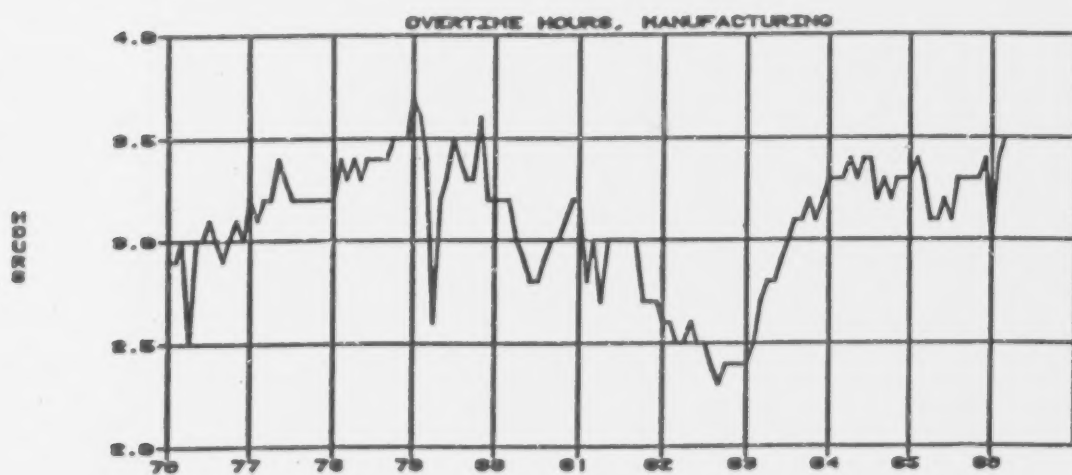
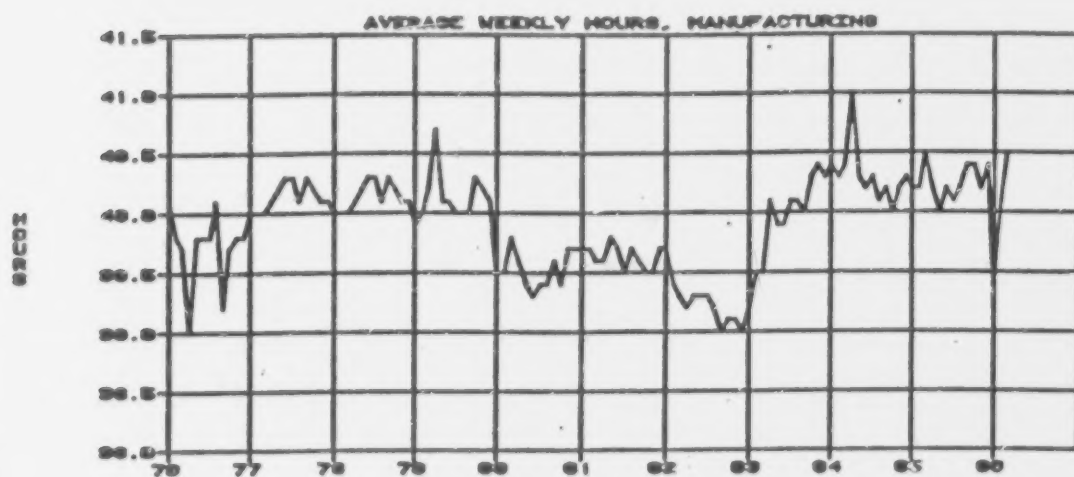
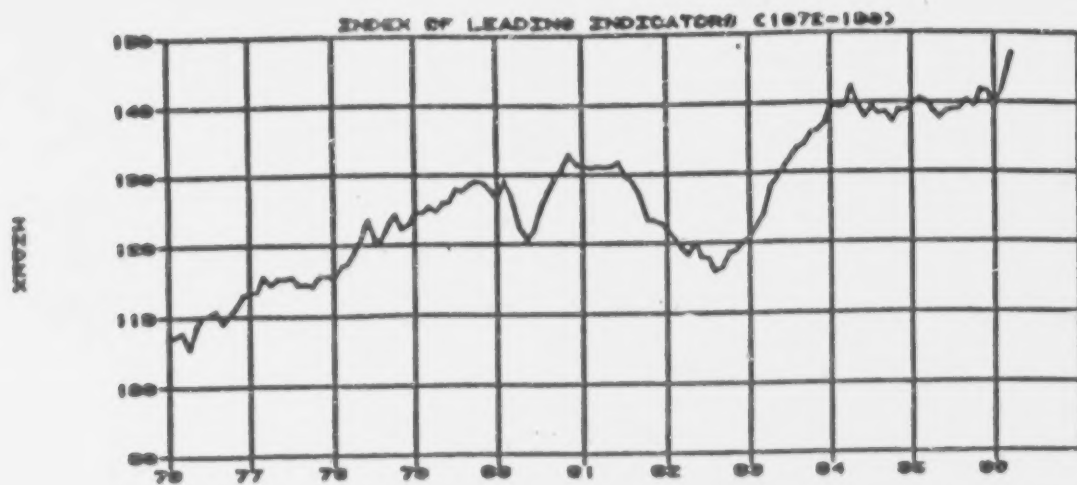
Taxable Sales

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

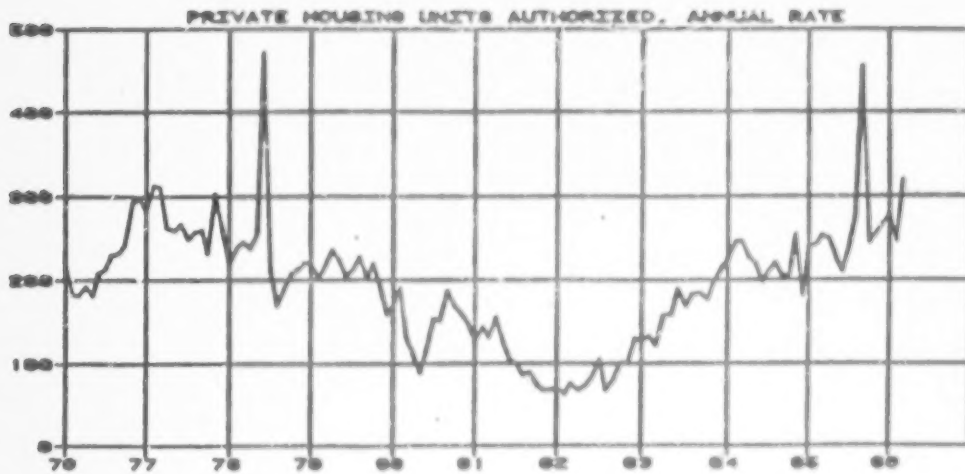
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but will be of interest to persons looking at overall economic developments.

Standard Abbreviations

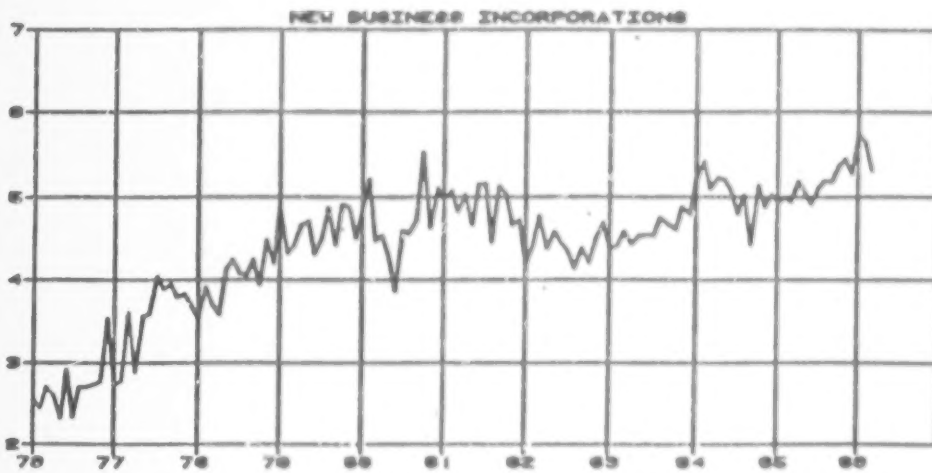
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e	Estimate	r	Revised



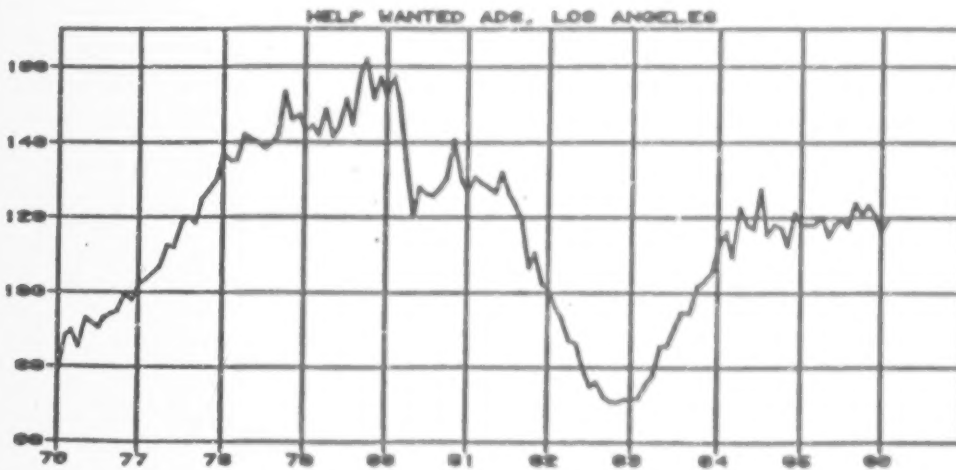
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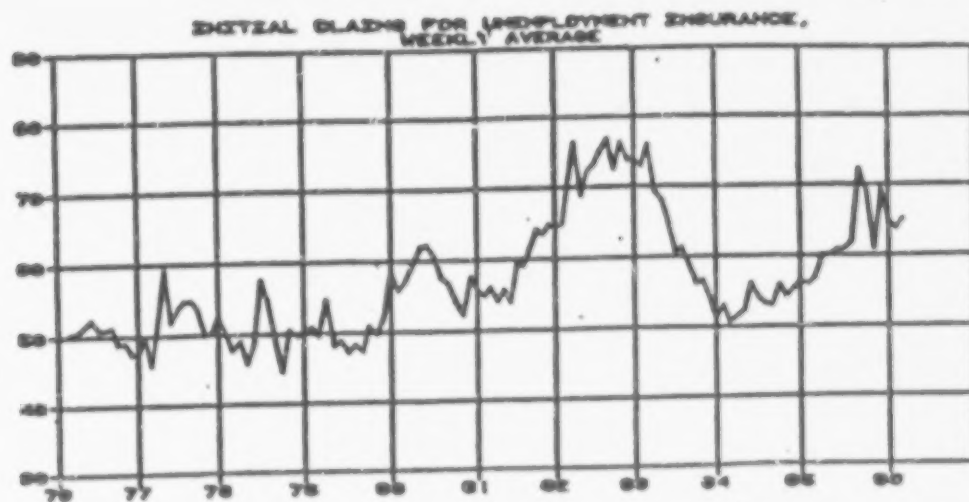
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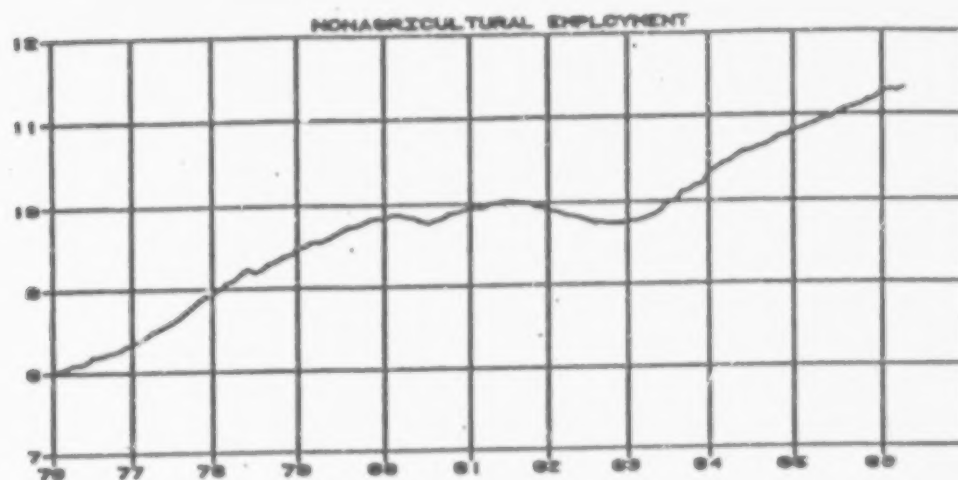
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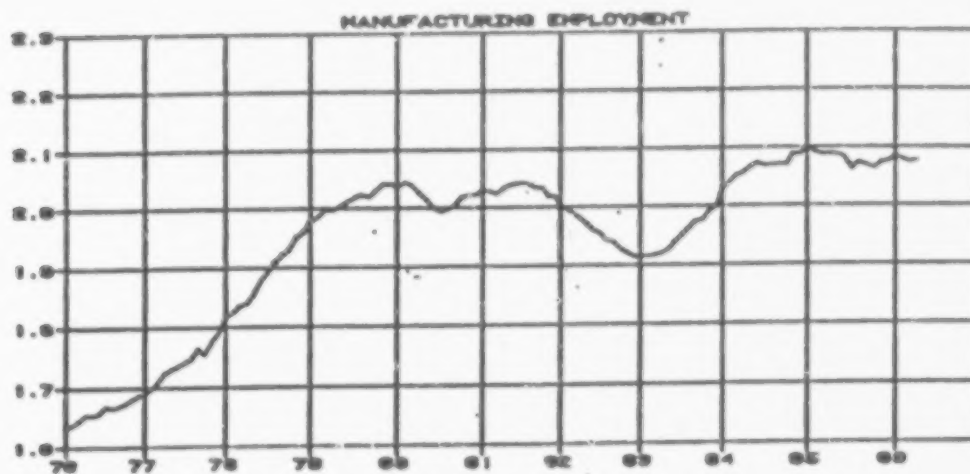
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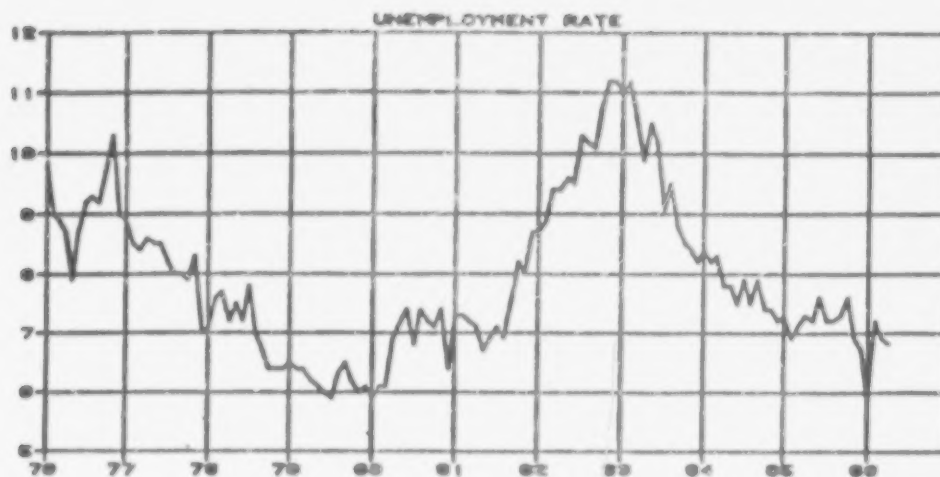
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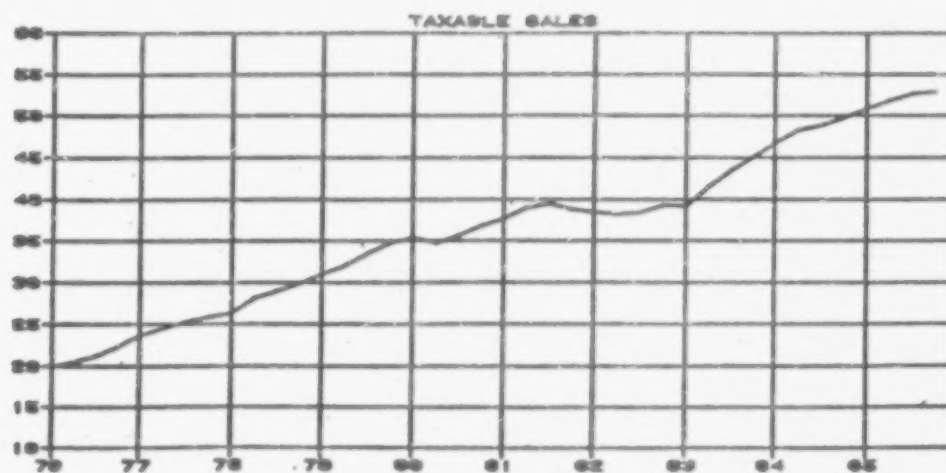
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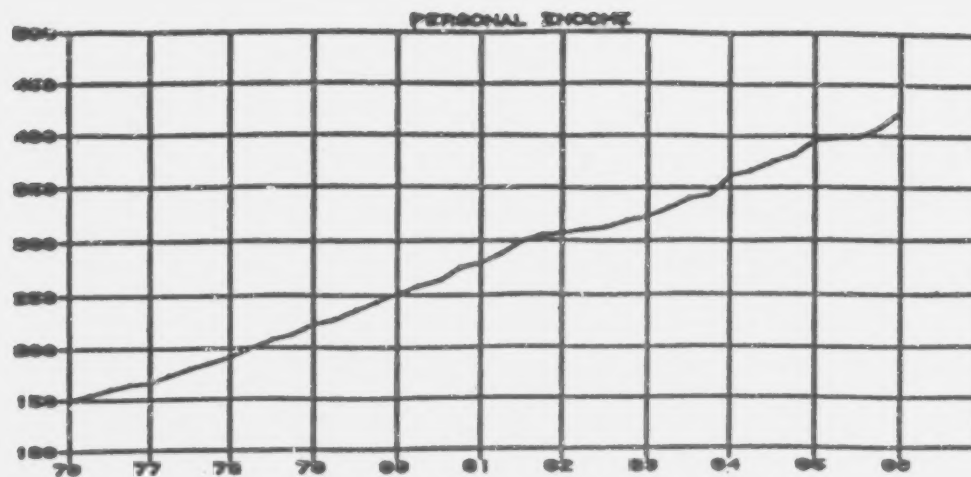
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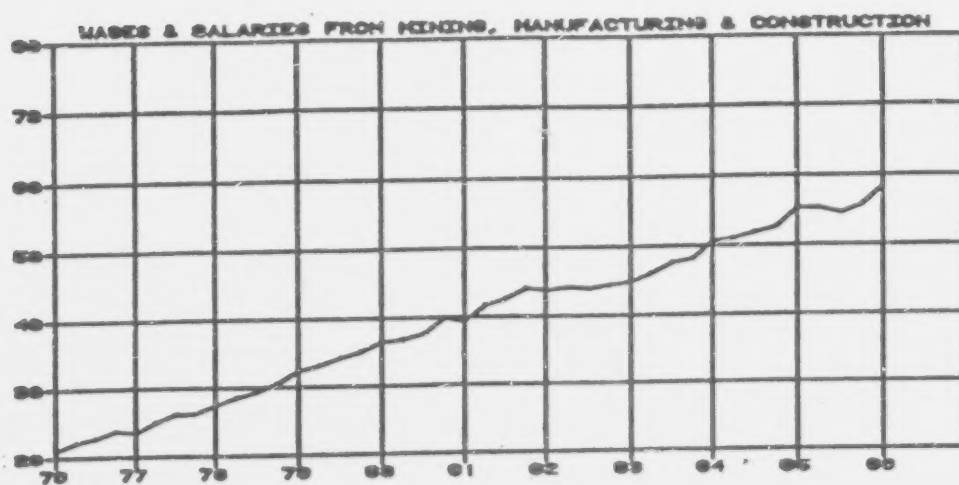
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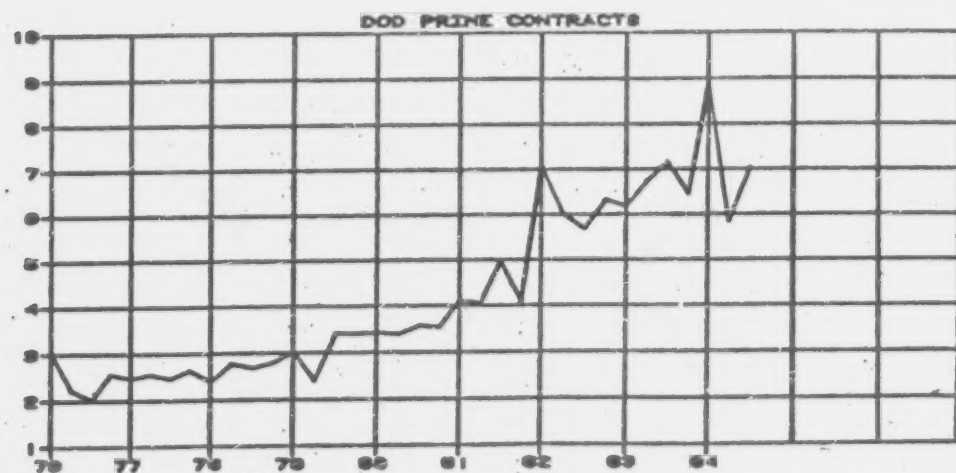
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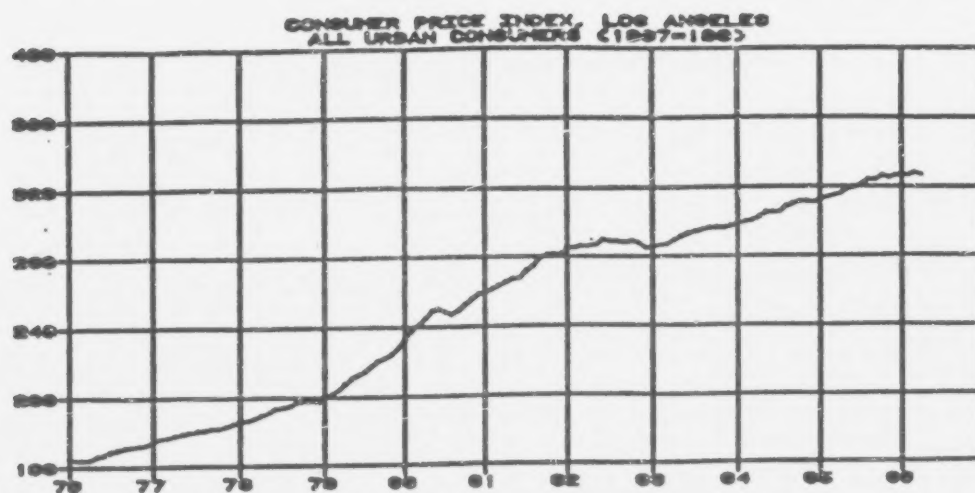
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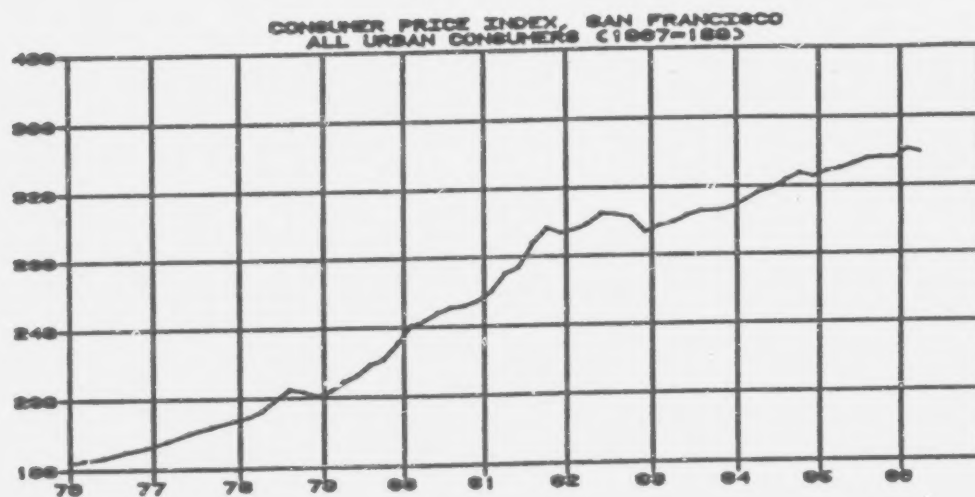
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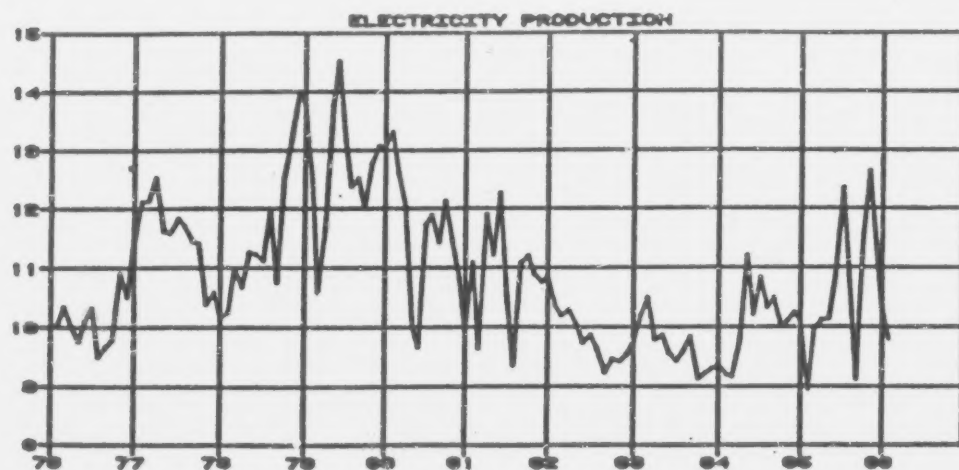
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BASIC DATA FOR CALIFORNIA ECONOMIC SERIES
(Seasonally Adjusted Except as Noted)
Leading Indicators

Year and Month	Index of Leading Indicators (1972=100) <i>r/</i>	Average Weekly Hours, Manufac- turing	Help Wanted Ads-- Los Angeles Area (thousands)	Initial Claims for Unemployment Insurance Weekly Avg. (thousands)	Overtime Hours Manufac- turing	Total Housing Units Authorized (thousands) <i>a/</i>	New Business Incorporations
1982							
January	122.0	39.7	101.1	64.5	2.6	72.4	4,189
February	120.6	39.4	95.6	64.9	2.6	66.0	4,427
March	119.5	39.3	93.2	70.1	2.5	74.3	4,772
April	118.4	39.2	87.1	76.4	2.5	70.3	4,383
May	120.2	39.3	86.2	68.9	2.6	78.1	4,573
June	118.1	39.3	80.2	72.2	2.5	90.9	4,467
July	117.8	39.3	75.0	73.3	2.5	101.0	4,332
August	116.0	39.2	76.2	75.0	2.4	68.5	4,138
September	116.5	39.0	72.2	76.8	2.3	73.4	4,379
October	118.5	39.1	70.9	72.6	2.4	88.7	4,203
November	118.9	39.0	70.7	76.3	2.4	93.4	4,493
December	120.0	39.0	71.5	73.9	2.4	127.5	4,681
1983							
January	120.7	39.2	71.5	73.9	2.4	130.9	4,378
February	122.6	39.5	71.8	73.0	2.5	141.7	4,416
March	124.1	39.5	75.1	75.9	2.7	116.9	4,580
April	128.0	40.1	77.8	69.3	2.8	160.1	4,430
May	129.5	39.9	85.6	67.9	2.8	167.1	4,527
June	130.7	39.9	85.5	65.2	2.9	208.4	4,539
July	132.2	40.1	90.7	60.7	3.0	157.3	4,534
August	133.4	40.1	94.5	61.4	3.1	174.6	4,746
September	134.0	40.0	94.4	58.8	3.1	158.9	4,674
October	135.7	40.3	101.6	56.2	3.2	145.8	4,609
November	135.9	40.4	102.9	56.7	3.1	196.3	4,880
December	137.0	40.3	105.2	54.1	3.2	215.5	4,787
1984							
January	139.7	40.4	111.7	51.3	3.3	235.8	5,210
February	139.2	40.3	116.4	53.1	3.3	250.9	5,416
March	139.4	40.4	109.5	50.7	3.3	244.7	5,098
April	142.2	41.3	122.8	51.5	3.4	230.0	5,227
May	139.5	40.2	117.9	52.3	3.3	215.0	5,200
June	137.9	40.3	117.2	56.1	3.4	206.8	5,069
July	139.3	40.3	127.8	54.2	3.4	200.7	4,807
August	138.4	40.1	115.5	53.3	3.2	216.1	5,020
September	138.6	40.2	118.3	53.0	3.3	174.4	4,425
October	137.3	40.0	117.2	56.0	3.2	191.5	5,136
November	138.8	40.2	112.6	54.3	3.3	256.9	4,888
December	138.8	40.3	121.3	55.5	3.3	177.6	5,031
1985							
January	139.4	40.2	118.3	56.3	3.3	241.0	4,931
February	140.6	40.2	118.1	56.1	3.4	242.2	4,997
March	140.3	40.5	118.1	56.9	3.3	254.0	4,940
April	138.9	40.2	120.3	60.1	3.1	249.5	5,184
May	137.8	40.0	115.1	60.3	3.1	224.1	5,037
June	136.6	40.2	118.3	60.8	3.2	210.3	4,914
July	138.9	40.1	119.7	61.1	3.1	242.0	5,109
August	138.9	40.2	117.7	61.9	3.3	275.6	5,195
September	140.3	40.4	123.9	72.1	3.3	455.6	5,176
October	139.5	40.4	120.8	68.9	3.3	244.7	5,366
November	142.2	40.2	123.5	61.1	3.3	245.7	5,446
December	141.9	40.4	120.6	69.2	3.4	216.9	5,277
1986							
January	138.9	39.4	116.1	64.8	3.0	279.0	5,740
February	142.0	40.1	119.7	63.7	3.4	246.5	5,642
March	143.7	40.5	118.7	65.2	3.5		5,302

a/ Annual rate basis.
r/ revised.

BASIC DATA FOR CALIFORNIA ECONOMIC SERIES (Continued)
(Seasonally Adjusted Except as Noted)

Year and Month	Coincident Indicators						Other Indicators
	Nonagri- cultural Employment (thousands)	Wages and Salaries in Mining, Manu- facturing and Construction (mil dol.) a/	Unemploy- ment Rate	Insured Unemployment Average Weeks Claimed (thousands)	Personal Income (mil dol.) a/	Taxable Sales (mil dol.) a/	Manufac- turing Employment (thousands)
1982							
January	9,905.2		8.7	420			2,002.8
February	9,902.9	53,540	8.8	446	305,568	38,488	1,995.7
March	9,878.0		9.3	469			1,989.6
April	9,846.5		9.4	504			1,980.9
May	9,835.1	53,649	9.5	506	310,474	38,263	1,970.0
June	9,818.4		9.6	535			1,961.2
July	9,789.7		10.3	519			1,954.4
August	9,759.4	53,204	10.3	545	312,794	38,404	1,942.8
September	9,764.2		10.2	560			1,938.9
October	9,747.5		10.8	561			1,928.3
November	9,749.1	53,515	11.2	570	318,984	39,353	1,920.7
December	9,749.4		11.1	569			1,913.9
1983							
January	9,772.4		11.0	514			1,913.7
February	9,773.2	53,764	11.2	539	323,182	39,195	1,915.5
March	9,790.5		10.6	548			1,916.2
April	9,823.9		9.9	519			1,920.2
May	9,850.1	55,224	10.5	506	330,703	41,450	1,927.0
June	9,901.2		10.2	496			1,937.5
July	9,997.9		9.1	426			1,950.7
August	9,996.9	57,286	9.5	446	339,773	43,437	1,961.3
September	10,108.4		8.8	406			1,974.3
October	10,134.6		8.5	392			1,977.8
November	10,183.8	57,977	8.4	401	343,942	45,016	1,993.1
December	10,210.9		8.2	370			1,999.1
1984							
January	10,332.1		8.4	362			2,029.6
February	10,395.8	61,741	8.2	350	362,008	46,828	2,043.9
March	10,441.0		8.3	332			2,052.3
April	10,479.9		7.8	326			2,058.9
May	10,535.0	62,040	7.8	337	366,608	48,374	2,068.2
June	10,583.4		7.5	326			2,073.7
July	10,591.9		7.9	344			2,069.9
August	10,634.6	63,048	7.5	341	375,086	48,871	2,071.2
September	10,654.1		7.9	333			2,071.5
October	10,703.5		7.4	361			2,070.3
November	10,759.6	63,874	7.4	355	381,106	49,781	2,088.7
December	10,767.2		7.2	357			2,090.5
1985							
January	10,820.9		7.3	371			2,099.3
February	10,845.0	68,125	6.9	368	395,464 r/	50,949	2,092.6
March	10,871.2		7.1	363			2,038.8
April	10,915.4		7.3	386			2,090.4
May	10,957.3	68,000	7.2	385	397,952 r/	51,947	2,088.1
June	10,962.2		7.6	383			2,084.6
July	11,028.9		7.2	396			2,064.2
August	11,071.8	67,376	7.2	390	399,141 r/	52,690	2,074.2
September	11,092.2		7.3	411			2,069.9
October	11,117.4		7.6	414			2,065.3
November	11,165.6	68,883	6.9	382	407,932 r/	52,889	2,074.0
December	11,201.8		6.7	418			2,076.0
1986							
January	11,273.0		5.8	387			2,085.0
February	11,292.5		7.2	397	423,286		2,079.9
March	11,279.4	72,792	6.9	400			2,075.6
April	11,322.6		6.8				2,079.2

a/Annual rate basis.
r/Revised

BASIC DATA FOR CALIFORNIA ECONOMIC SERIES (Continued)
(Seasonally Adjusted Except as Noted)
Other Indicators

Year and Month	DOD Prime Contracts (mil dol.) ^{a/}	Consumer Price Index (1967=100)b/				Net New S&L Savings ^{b/} (mil dol.)	Electricity Production (mil KWH)
		San Francisco		Los Angeles			
		Wage Earner and Clerical Worker	All Urban	Wage Earner and Clerical Worker	All Urban		
<u>1982</u>							
January		--	--	289.6	285.6	384	10,854
February	7,080	294.9	295.8	289.2	285.4	172	10,349
March		--	--	290.2	286.4	-180	10,192
April		297.8	298.8	290.3	286.6	-1,084	10,284
May	6,020	--	--	290.6	287.1	-46	10,035
June		303.4	304.6	293.9	290.1	-1,139	9,727
July		--	--	293.0	289.3	-142	9,857
August	5,683	302.8	304.3	292.8	289.1	-411	9,616
September		--	--	291.7	288.2	78	9,223
October		301.3	302.4	292.8	289.5	-614	9,446
November	6,326	--	--	291.6	288.5	779	9,403
December		293.6	293.9	288.0	285.3	3,492	9,527
<u>1983</u>							
January		--	--	288.0	285.6	5,803	9,753
February	6,173	293.9	297.3	290.1	286.8	2,738	10,193
March		--	--	289.6	287.1	1,992	10,484
April		294.7	299.3	290.2	289.5	2,301	9,775
May	6,740	--	--	292.1	292.0	2,381	9,865
June		298.6	303.0	292.1	293.6	1,043	9,558
July		--	--	293.2	294.5	2,066	9,425
August	7,157	301.6	306.0	293.7	295.2	3,207	9,571
September		--	--	296.7	296.4	3,476	9,829
October		301.4	305.7	299.0	297.0	1,678	9,124
November	6,462	--	--	297.8	296.5	273	9,208
December		306.1	307.3	299.9	297.7	2,227	9,296
<u>1984</u>							
January		--	--	297.9	299.1	3,508	9,357
February	8,930	308.7	311.7	299.0	300.2	1,754	9,195
March		--	--	297.9	300.7	3,167	9,156
April		311.1	316.4	298.9	302.8	3,393	9,760
May	5,843	--	--	303.1	305.4	5,312	11,202
June		315.1	318.7	303.4	305.6	3,322	10,201
July		--	--	300.3	305.9	3,244	10,828
August	7,045	322.7	323.4	305.1	308.6	-971	10,320
September		--	--	304.2	310.2	2,189 ^{a/}	10,480
October		319.3	327.5	302.5	311.9		10,003
November		--	--	304.2	311.8		10,085
December		321.5	325.8	306.5	311.1	5,875 ^{a/}	10,239
<u>1985</u>							
January		--	--	308.1	313.0		10,074
February		324.2	328.7	309.1	314.1		8,936
March		--	--	309.8	314.7	-1,904 ^{a/}	9,949
April		326.1	330.4	311.2	315.9		10,111
May		--	--	314.1	319.1		10,133
June		328.7	333.2	314.1	319.3	-1,825 ^{a/}	10,819
July		--	--	315.8	321.3		12,356
August		330.8	335.8	318.0	323.9		10,890
September		--	--	317.7	323.8	-1,658 ^{a/}	9,115
October		331.0	336.7	320.0	326.1		11,539
November		--	--	319.1	325.0		12,639
December		331.3	336.4	320.1	326.1	1,334 ^{a/}	11,363
<u>1986</u>							
January		--	--	320.9	326.8		10,302
February		336.0	341.1	320.4	326.6		9,783
March		--	--	321.6	328.2		
April		333.2	339.3	320.2	326.8		

^{a/}Quarterly data.

^{b/}Not adjusted for seasonal variation.

^{r/}Revised.

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

<u>1969</u>		<u>1970—Continued</u>	
January 1	Social security contribution rate increased to combined 9.6 percent.	November 10	Discount rate reduced from 6 percent to 5-3/4 percent.
January 7	Prime rate raised from 6-3/4 percent to 7 percent.	November 12	Prime rate reduced from 7-1/2 percent to 7-1/4 percent.
January 24	FHA interest rate raised from 6-3/4 percent to 7-1/2 percent.	November 23	Prime rate reduced from 7-1/4 percent to 7 percent.
March 17	Prime rate raised from 7 percent to 7-1/2 percent.	December 1	Discount rate reduced from 5-3/4 percent to 5-1/2 percent. FHA interest rate reduced from 8-1/2 percent to 8 percent.
April 3	Discount rate raised from 5-1/2 percent to 6 percent; reserve requirement raised.	December 20	13-week extended duration unemployment benefits in effect.
June 9	Prime rate raised from 7-1/2 percent to 8-1/2 percent.	December 22	Prime rate reduced from 7 percent to 6-3/4 percent.
June 12	Required liquidity reserves of savings and loan associations lowered from 6-1/2 percent to 6 percent.		
October 27-February 1970	General Electric strike.		
<u>1970</u>		<u>1971</u>	
January 1	Personal income tax surcharge reduced to 5 percent. Withholding cut.	January 6	Prime rate reduced from 6-3/4 percent to 6-1/2 percent.
January 5	FHA interest rate raised from 7-1/2 percent to 8-1/2 percent.	January 8	Discount rate reduced from 5-1/2 percent to 5-1/4 percent.
January 21	Increased schedule of interest rates on time deposits and certificates of deposit in effect.	January 12	FHA interest rate reduced from 8 percent to 7-1/2 percent.
March 25	Prime rate reduced from 8-1/2 percent to 8 percent.	January 15	Prime rate reduced from 6-1/2 percent to 6-1/4 percent.
April 2-June 2	Teamster strike.	January 18	Prime rate reduced from 6-1/4 percent to 6 percent.
May 6	Stock margin requirement cut from 80 percent to 65 percent.	January 19	Discount rate reduced from 5-1/4 percent to 5 percent.
July 1	Personal income tax surcharge removed.	February 4	Rolls Royce bankruptcy announced.
September 14-November 23	UAW strike against GM.	February 9	Los Angeles earthquake.
September 22	Prime rate reduced from 8 percent to 7-1/2 percent.	February 12	Discount rate reduced from 5 percent to 4-3/4 percent.
		February 16	Prime rate reduced from 6 percent to 5-3/4 percent.
		February 23	Davis Bacon Act regulating construction wages on Federal projects suspended. Suspension revoked on March 29. Wage-price curbs ordered.

CHRONOLOGY--Continued

<u>1971--Continued</u>		<u>1971--Continued</u>	
March 16	Prime rate reduced from 5-3/4 percent to 5-1/2 percent.	November 11	Discount rate reduced from 5 percent to 4-3/4 percent.
March 17	Social security bill signed. Benefits raised 10 percent, retroactive to January 1, 1971. Contribution base raised to \$9,000 effective January 1, 1972.	November 14	Phase II of NEP in effect.
March 25	SST program terminated.	December 6	Stock margin requirements cut from 65 percent to 55 percent.
April 1	Interest rates on savings accounts in California banks generally reduced from 4-1/2 percent to 4 percent.	December 10	Revenue Act of 1971 signed into law.
April 23	Prime rate raised from 5-1/4 percent to 5-1/2 percent.	December 13	Discount rate reduced from 4-3/4 percent to 4-1/2 percent. Prime rate lowered from 5-1/2 percent to 5-1/4 percent.*
May 1	Liquidity ratio for savings and loan associations raised from 6-1/2 percent to 7-1/2 percent.		Intent to devalue U.S. dollar announced.
May 17-18	Rail strike.	<u>1972</u>	
June 1-July 27	Communications workers strike against Western Union.	January 17-February 20	West Coast dock strike continued.
June 15-21	Prime rate increased from 5-1/2 percent to 5-3/4 percent. General rise to 6 percent on July 7.	February 1-March 15	Kaiser Steel Company strike.
June 29-July 16	Northern California construction strike.	July 1	20 percent increase in social security benefits signed into law. Effective September.
July 1-October 6	West Coast dock strike.	September 11	Opening of BART Fremont-Oakland line.
July 14-August 2	Telephone strike.	September 21	"Friends of Mammoth" decision.
July 15	Discount rate raised from 4-3/4 percent to 5 percent.	November 24	Stock margin requirements raised to 65 percent.
July 16-August 2	Rail strike.	<u>1973</u>	
July 31	Steel strike averted by accord on contract.	January 11	Phase III of NEP in effect.
August 2	Lockheed loan guarantee approval.	January 15	Discount rate raised from 4-1/2 percent to 5 percent.
August 3	Teamsters walkout in Northern California against building contractors.	January 27	Viet Nam cease fire signed.
August 15-November 13	President's economic policy message; 90-day wage-price freeze in effect.	January 29	Opening of BART Richmond-Oakland line.
October 1	East and Gulf Coast longshoremen's strike.	February 12	10 percent devaluation of U.S. dollar announced.
October 20	Prime rate reduced from 6 percent to 5-3/4 percent. Further reduction to 5-1/2 percent on November 4.	March 2	Major foreign currency exchanges closed.
		March 29	Price controls of meat announced.

* Adoption of a floating prime rate in November 1971 has resulted in frequent minor adjustments in the rate. Information on the range of rates at any one time and the rate charged by the majority of commercial banks may be obtained from the Federal Reserve Bulletin.

CHRONOLOGY--Continued

1973

April 9-13	Consumer meat boycott.
April 23	Discount rate raised from 5-1/2 percent to 5-3/4 percent.
May 10	Discount rate raised from 5-3/4 percent to 6 percent.
June 11	Discount rate raised from 6 percent to 6-1/2 percent.
June 14	60-day price freeze announced.
July 2	Discount rate raised from 6-1/2 percent to 7 percent. Increased reserve requirement on net demand deposits.
July 6	Interest rates increased: FHA mortgage rate: 7 percent to 7-3/4 percent; bank savings rate: 4-1/2 percent to 5 percent; savings and loan rate: 5 percent to 5-1/4 percent.
July 18	Phase IV announced.
August 27	Prime rate at 9-3/4 percent in major institutions.
October 17	Arab nations announce reductions in oil shipment.
November 5-December 18	TWA strike.

1974

January 3	Stock margin requirements cut from 65 percent to 50 percent.
February 1-11	Independent truckers strike, midwest and east coast.
February 15	Prime rate reduced to 9 percent.
February 22	Prime rate reduced to 8-3/4 percent.
March 4	California minimum wage increased to \$2.00 per hour from \$1.65.
March 18	Arab oil embargo lifted.
March 27	Prime rate increased to 9 percent from 8-3/4 percent.
March 28	Prime rate further increased to 9-1/2 percent.
April 25	Federal Reserve raised discount rate to 8 percent from 7-1/2 percent.
April 29	Prime rate up to 10-3/4 percent.

1974--Continued

April 30	Phase IV controls lifted in approximately 165 sectors of the economy.
June 17-August 4	San Diego construction strike.
June 17-July 21	Northern California construction strike.
July 1-Mid-August	Southern California construction strike.
July 1	Transit strikes, San Francisco Bay Area.
August 2-October 21	Los Angeles area transit strike.
August 8	Resignation of President Nixon announced.
August 14	FHA mortgage rate raised to 9-1/2 percent. Prime rate reduced from 12 percent to 11-3/4 percent on limited basis. Prevailing rate on date of major changes: October 21....11 1/2 percent October 28....11 1/4 percent November 4....11 percent November 14....10 3/4 percent November 25....10 1/2 percent
October 8	Prime rate reduced from 12 percent to 11-3/4 percent by several more large banks.

November 12-December 9

Coal strike.

December 9

Discount rate reduced from 8 percent to 7-3/4 percent.

1975

January 6	Federal Reserve discount rate cut from 7-3/4 percent to 7-1/4 percent.
January 10	Oil Chemical Atomic Workers Union strike.
January 13	Prime rate reduced to 10 percent. Further major cuts as follows: January 21.....9 3/4 percent January 31.....9 percent February 6.....8 3/4 percent February 19.....8 1/2 percent March 3.....8 1/4 percent March 8.....8 percent
January 21	FHA mortgage rate reduced from 9 percent to 8-1/2 percent.
February 5	Federal Reserve discount rate cut from 7-1/4 percent to 6-3/4 percent.

CHRONOLOGY--Continued

1975--Continued		1976--Continued	
March 10	Federal Reserve discount rate cut from 6-3/4 percent to 6-1/4 percent.	September 15-October 13	Auto workers strike.
March 24	Prime rate reduced to 7-1/2 percent by most major banks.	October 18	California minimum wage raised to \$2.50 per hour.
March 25	King Faisal assassinated.	December 22	Prime rate reduced to 6 percent by Chase Manhattan Bank. Most banks maintain a prime rate of 6-1/4 percent.
March 29	Tax reduction act signed into law.	<u>1977</u>	
May 19	Prime rate reduced to 7-1/4 percent by several major banks.	May 16	Prime rate raised to 6-1/2 percent.
June 10	Prime rate reduced to 7 percent by most banks.	May 31	Prime rate raised to 6-3/4 percent.
July 18	Prime rate increased to 7-1/4 percent. Further gains as follows: July 25.....7-1/2 percent August 11.....7-3/4 percent September 15....8 percent	August 22	Prime rate raised to 7 percent.
September 1	National Airlines strike.	August 30	Federal Reserve discount rate raised from 5-1/4 percent to 5-3/4 percent, the first increase since April 1974.
October 16	Reserve requirement on time deposits reduced from 3 percent to 1 percent.	September 16	Prime rate raised to 7-1/4 percent.
October 24	Prime rate reduced to 7-3/4 percent. Further reductions as follows: October 31.....7-1/2 percent November 21.....7-1/4 percent	October 1-November 24	Longshoremen's strike against East and Gulf Coast ports.
December 5-19	United Airlines strike.	October 7	Prime rate raised to 7-1/2 percent.
<u>1976</u>		October 10-January 4	IAN-Lockheed strike.
January 12	Prime rate lowered to 7 percent.	October 24	Prime rate raised from 7-1/2 percent to 7-3/4 percent.
January 19	Federal Reserve discount rate lowered from 6 percent to 5-1/2 percent.	October 26	Discount rate raised from 5-3/4 percent to 6 percent.
January 21	Prime rate reduced to 6-3/4 percent.	December 5-March 24	United Mine Workers strike.
April 1-3	Teamsters strike.	<u>1978</u>	
April 9-June 4	Prime rate moving upward, 6-3/4 percent to 7-1/4 percent at most major banks.	January 1	U.S. minimum wage increased to \$2.65 per hour.
April 21	Rubber workers strike.	January 9	Discount rate raised from 6 percent to 6-1/2 percent.
July 20-August 2	Cannery workers strike.	January 10	Prime rate raised to 8 percent.
August 2	Prime rate reduced to 7 percent. Further reductions as follows: October 4.....6-3/4 percent October 29.....6-1/2 percent December 10....6-1/4 percent	February 28	FHA mortgage rate raised from 8-1/2 percent to 8-3/4 percent.
		April 1	California minimum wage increased from \$2.50 to \$2.65 per hour.
		April 1-May 28	United Airlines strike.
		May 4	Prime rate raised from 8 percent to 8-1/4 percent.

CHRONOLOGY--Continued

1978--Continued

May 8 California savings and loan associations raised mortgage rates from 9-3/4 percent to 10 percent.

May 12 Discount rate raised to 7 percent.

May 23 Federal funds rate increased to 7-1/2 percent.

- FHA-VA mortgage rate raised from 8-3/4 percent to 9 percent.

May 26 Prime rate raised from 8-1/4 percent to 8-1/2 percent.

June 6 Proposition 13 approved by California voters.

June 16 Prime rate raised to 8-3/4 percent.

June 20 OPEC announced a freeze on crude oil prices until December 16.

June 22 Federal funds rate raised from 7-1/2 percent to 7-3/4 percent.

June 29 FHA-VA mortgage rate raised to 9-1/2 percent.

June 30 Prime rate raised to 9 percent.

July 10 Discount rate raised to 7-1/4 percent.

July 18 Teamsters union strike affecting supermarkets throughout Northern California.

August 20 Retail clerks union strike in Southern California.

August 21 Discount rate raised to 7-3/4 percent.

August 29 Federal funds rate raised from 8-1/8 percent to 8-1/4 percent.

August 31 Prime rate raised by some eastern banks from 9 percent to 9-1/4 percent.

September 15 Prime rate raised to 9-1/2 percent.

September 22 Discount rate raised from 7-3/4 percent to 9-3/4 percent.

September 28 Prime rate raised from 9-1/2 percent to 9-3/4 percent.

1978--Continued

October 12 Prime rate raised from 9-3/4 percent to 10 percent.

October 15 Tax cut and energy bills passed by Congress.

October 16 Discount rate raised from 8 percent to 8-1/2 percent.

October 18 Federal funds rate raised from 8-3/4 percent to 8-7/8 percent.

October 24 Prime rate raised from 10 percent to 10-1/4 percent.

California mortgage rates raised from 10 percent to 10-1/4 percent at several savings and loan institutions.

October 24 Phase II announced: voluntary guidelines on wages and prices.

November 1 Discount rate raised from 8-1/2 percent to 9-1/2 percent.

Prime rate raised to 10-1/2 percent.

November 3 Prime rate raised from 10-1/2 percent to 10-3/4 percent.

November 13 Prime rate raised from 10-3/4 percent to 11 percent.

November 24 Prime rate raised to 11-1/2 percent.

November 27 Federal funds rate raised from 9-3/4 percent to 9-7/8 percent.

December 4 Rollover for 6-month certificates of deposit (CDs) began this week.

December 19 Federal funds rate raised to 10 percent.

December 20 Prime rate raised to 11-3/4 percent.

1979

January 1 U.S. minimum wage increased to \$2.90 per hour.

January 13 Prime rate reduced to 11-1/2 percent.

March 15 Terms for MMCs changed. 1/4 point differential over 9 percent eliminated.

March 27 OPEC price increases: 9 percent. Selected surcharges imposed.

CHRONOLOGY--Continued

1979--Continued		1980--Continued	
March 31- May 26	United Airlines-machinist strike.	March 14	Announcement of tighter fiscal policies.
April 1-10	Teamsters strike.	March 17	Three percent discount rate surcharge imposed.
May 7	Prime rate moved to 11-3/4 percent from 11-1/2 percent.	March 18	Prime rate raised to 19 percent.
May 19	Federal funds rate set at 7-1/4 percent.	April 2	Prime rate raised to 20 percent.
May 30	Interest rate on conventional mortgages raised to 11-3/4 percent.	April 3	FHA mortgages raised to 14 percent.
June 12	Prime rate reduced to 11-1/2 percent.	April 20	Prime rate reduced to 19-1/2 percent.
July 1	Interest rates on passbook accounts up to 5.5 percent at Savings and Loans and 5.25 percent for banks.	April 28	FHA mortgages reduced to 13 percent.
July 20	Discount rate raised from 9-1/2 percent to 10 percent.		Prime rate reduced to 18-1/2 percent.
August 16	Discount rate raised to 10-1/2 percent.	May 5	Prime rate reduced to 18 percent.
August 24	Federal funds rate raised from 11 percent to 11-1/4 percent.	May 7	Prime rate reduced to 17 percent.
August 26- September 10	Los Angeles Rapid Transit District strike.	May 8	Discount rate surcharge reimposed.
August 28	Prime rate raised from 12 percent to 12-1/4 percent.	May 12	Prime rate reduced to 16-1/2 percent.
August 31- November 21	BART strike.	May 19	Prime rate reduced to 16 percent.
September 4	Federal funds rate raised from 11-1/4 percent.	May 28	Discount rate lowered to 12 percent from 13 percent.
October 6	Change in federal reserve policy announced.	June 4	Prime rate reduced to 13 percent.
<u>1980</u>		June 12	Discount rate lowered to 11 percent. Prime rate reduced to 12-1/2 percent.
February 25	Prime rate raised to 16-1/2 percent.	June 20	Prime rate reduced to 12 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.	June 24	Prime rate reduced to 11-1/2 percent. Some conventional mortgage rates fell to 12 percent.
February 29	Prime rate raised to 16-3/4 percent.	June 25	Carpenters strike in Northern California ended.
March 4	Prime rate raised to 17-1/4 percent.	July 3	ICC begins trucking industry deregulation.
March 7	Prime rate raised to 17-3/4 percent.	July 21- October 23	Motion picture and television industry strike.
March 13	Prime rate raised to 18-1/4 percent.	July 22	Prime rate reduced to 11 percent.
		July 25	Prime rate reduced to 10-3/4 percent.

CHRONOLOGY--Continued

1980--Continued		1981	
July 28	Discount rate reduced to 10 percent.	January 1	Minimum wage raised from \$3.10 to \$3.35.
August 5	Prime rate raised to 11 percent.	January 6	Prime lowered to 20 percent.
August 27	Prime rate raised to 11-1/2 percent.	January 20	American hostages released from Iran.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.	January 20	Ronald Reagan inaugurated as 40th President of the U.S.
September 12	California mortgage rate raised from 13-1/2 percent to 13-3/4 percent.	January 28	Deregulation of oil and gas industry announced, effective immediately.
September 25	Pacific Southwest Airlines (PSA) pilots strike begins.	January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.	February 16	General Motors and Ford rebate plans announced.
October 2	Prime raised from 13 to 13-1/2 percent.	February 23	Prime rate lowered to 18 percent.
October 3	Prime raised to 14 percent.	March 2	Prime rate lowered to 18-1/2 percent.
October 15	AFTA workers return to work.	March 10	Prime rate lowered to 18 percent.
October 30	Prime raised from 14 to 14-1/2 percent.	March 16	Prime rate lowered to 17-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.	March 18	Prime rate lowered to 17 percent.
November 14	PSA pilots strike ends.	March 26-June 8	United mine workers strike.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.	April 13	Prime rate raised to 17-1/2 percent.
November 21	Prime raised to 17 percent.	April 29	Prime rate raised to 18 percent.
November 28	Prime raised to 17-3/4 percent.	May 4	Prime rate raised to 19 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.	May 5	Discount rate raised from 13 percent to 14 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.	May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
December 11	Prime raised to 20 percent.	May 11	Prime rate raised to 19-1/2 percent.
December 17	Prime raised from 20 to 21 percent.	May 22	Prime rate raised to 20 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.	May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
		June 5	Dollar reaches highest level in international trading since December 1971.

CHRONOLOGY--Continued

1981--(Continued)		1981--(Continued)	
July 8	Prime rate raised to 20-1/2 percent.	December 12	Martial law imposed in Poland.
August 3	Professional Air Traffic Controller's Organization strike.	1982	
January 17, 1986		January 22	Federal funds rate raised to 13-1/2 percent.
August 14	President Reagan signs both the tax- and budget-cut bills into law.	January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.	January 27	Federal funds rate raised to 13-3/4 percent.
September 1	Prime rate lowered to 20 percent.	February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
September 21	Prime rate lowered to 19-1/2 percent.	February 18	Prime rate increased to 17 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.	February 24	Prime rate cut back to 16-1/2 percent.
October	Introduction of All Savers Certificates to stimulate savings.	March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
October 6	Prime rate lowered to 19 percent.	March 8	Prime rate lowered to 16 percent.
	Egyptian President Sadat assassinated.	March 16	Prime rate back up to 16-1/2 percent.
October 13	Prime rate lowered to 18 percent.	April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at \$34/barrels.
October 30	OPEC price set at \$34.00/barrel--the Saudi benchmark.	April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.	April 12	General Motor and United Auto Workers labor agreement approved.
November 2	Fed discount rate cut from 14 percent to 13 percent.	April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
	Prime rate lowered to 17-1/2 percent.	May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
November 10	Prime rate lowered to 17 percent.	May 13	Braniff Air Lines ceases operation.
November 13	Prime rate lowered to 16-1/2 percent.	June 25	Secretary of State Alexander Haig resigns.
	FHA mortgage rate lowered to 15-1/2 percent.	June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
November 16	Prime rate lowered to 16 percent.		
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.		
December 1	Prime rate lowered to 15-1/2 percent.		
December 4	Fed discount rate lowered from 13 percent to 12 percent.		

CHRONOLOGY--Continued

1982--Continued

July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.
September 19	National Football League players strike began. Railroad strike involving locomotive engineers began.
September 23	Railroad strike ends.
September 24	FHA mortgage loan rate lowered from 14 percent to 13.5 percent.
October 7	Prime rate lowered to 13 percent.
October 12	Discount rate lowered from 10 percent to 9-1/2 percent.
October 15	Prime rate lowered to 12 percent.
November 1	General Motors reduces auto financing interest rate from 18.0 percent to 10.9 percent.
November 22	Discount rate cut from 9-1/2 percent to 9 percent.
November 23	Prime rate lowered from 12 percent to 11-1/2 percent.

1982 (Continued)

December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Bs.
<u>1983</u>	
January 5	Super NOW accounts introduced.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike end.
February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets \$29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	A 6.5 magnitude earthquake strikes the town of Coalinga.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.
June 24	The Federal Budget deficit totalled a record \$29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining \$800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on \$2.25 billion in bonds, creating the largest municipal default in U.S. history.

<u>1983 (Continued)</u>		<u>1984 (Continued)</u>	
August 1	California's \$1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling \$700 million, maturing next April and June, were oversubscribed.	May 5	Prime rate raised from 12 percent to 12-1/2 percent.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.	June 26	Prime rate raised from 12-1/2 percent to 13 percent.
August 7- August 28	The Communications Workers of America and two other unions strike AT&T.	September 3 - December 7	Hotel and restaurant strike - San Francisco.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.	September 15 - October 14	UAW-General Motors strike.
August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.	September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Sakhalin, just north of Japan.	October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.	October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 3- December 21	Strike against Greyhound Lines Inc.	November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.	November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
<u>1984</u>		November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
January 3	Breakup of AT&T becomes effective.	December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.	December 24	Discount rate reduced from 8-1/2 percent to 8 percent.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.	<u>1985</u>	
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.	January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.	January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.	March 9	Home State Savings Bank Cincinnati, Ohio closed.
		March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
		March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
		May 2	Auto manufacturer's initiate low interest loan programs.
		May 17- June 14	United Airlines--Air Pilots Association strike.

CHRONOLOGY--Continued

1985 (Continued)

1985 (Continued)

May 17	Prime rate reduced from 10-1/2 percent to 10 percent.	December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.
May 20	Dow Jones Industrials close above 1,300 for the first time.		
May 29	Presidents' tax reform plan unveiled.		1986
June 18	Prime rate reduced to 9 1/2 percent from 10 1/2 percent.	January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.	January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
July 22-October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.	February 26	Corazon Aquino takes over Philippines as the new president.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.	March 3	Dow Jones Industrials close above 1700 for the first time.
August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.	March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
September 4	The Farm Credit System seeks a Federal bailout of its \$74 billion loan portfolio.		Oil prices fall to \$12 per barrel.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.	March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
September 15	Saudi Arabia announces plans to boost oil production and cut prices.	March 21	Dow Jones Industrials close above 1800 for the first time.
September 22	G-5 agreement to push the dollar lower.		Conservative Chirac appointed as Prime Minister of France.
November 7	Dow Jones Industrials close above 1400 for the first time.	March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.	April 1	Interest ceilings on passbook saving accounts ended.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to \$2 trillion and setting deficit targets for each year through 1991.		Oil prices fall to under \$11 per barrel.
		April 14	U.S. air strike against Libya.
		April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
			Discount rate cut from 7 percent to 6-1/2 percent.
		April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.

1986 (Continued)

- April 25 Russian nuclear plant at
 Chernobyl destroyed by
 meltdown.
- May 12 U.S. dollar falls to 159.95
 Yen.
- May 22 U.S. proposes 35 percent
 tariff on Canadian cedar
 shakes and shingles for
 roofing, leading to a trade
 dispute between the U.S. and
 Canada.

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian Employment Unemployment Unemployment rate Nonagricultural employment Manufacturing employment Hours and earnings Nonagricultural placements Initial claims for unemployment insurance Insured unemployment Index for production worker hours
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Index of leading indicators
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
Security Pacific National Bank	Housing units authorized Valuation of nonresidential construction
U.S. Department of Commerce	Retail sales
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
California Redwood Association	Lumber production
Conservation Committee of California Oil Producers	Petroleum production
American Iron and Steel Institute	Steel production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Federal Reserve Bank of San Francisco	Demand deposits Commercial and industrial loans

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

<u>Initial Trough</u>	<u>Peak</u>	<u>Terminal Trough</u>	<u>Expansion (months)</u>	<u>Contraction (months)</u>	<u>Total (months)</u>
Dec. 1854	June 1857	Dec. 1858	30	18	48
Dec. 1858	Oct. 1860	June 1861	22	8	30
June 1861	April 1865	Dec. 1867	46	32	78
Dec. 1867	June 1869	Dec. 1870	18	18	36
Dec. 1870	Oct. 1873	March 1879	34	65	99
March 1879	March 1882	May 1885	36	38	74
May 1885	March 1887	April 1888	22	13	35
April 1888	July 1890	May 1891	27	10	37
May 1891	Jan. 1893	June 1894	20	17	37
June 1894	Dec. 1895	June 1897	18	18	36
June 1897	June 1899	Dec. 1900	24	18	42
Dec. 1900	Sept. 1902	Aug. 1904	21	23	44
Aug. 1904	May 1907	June 1908	33	13	46
June 1908	Jan. 1910	Jan. 1912	19	24	43
Jan. 1912	Jan. 1913	Dec. 1914	12	23	35
Dec. 1914	Aug. 1918	March 1919	44	7	51
March 1919	Jan. 1920	July 1921	10	18	28
July 1921	May 1923	July 1924	22	14	36
July 1924	Oct. 1926	Nov. 1927	27	13	40
Nov. 1927	Aug. 1929	March 1933	21	43	64
March 1933	May 1937	June 1938	50	13	63
June 1938	Feb. 1945	Oct. 1945	80	8	88
Oct. 1945	Nov. 1948	Oct. 1949	37	11	48
Oct. 1949	July 1953	May 1954	45	10	55
May 1954	Aug. 1957	April 1958	39	8	47
April 1958	April 1960	Feb. 1961	24	10	34
Feb. 1961	Dec. 1969	Nov. 1970	106	11	117
Nov. 1970	Nov. 1973	March 1975	36	16	52
March 1975	Jan. 1980	July 1980	58	6	64
July 1980	July 1981	November 1982	12	16	28

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CALIFORNIA ECONOMIC INDICATORS

July 1986



DEPARTMENT OF FINANCE

INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Census Bureau publication Business Conditions Digest, the report contains the following regular features:

- . review of economic developments
- . current California economic data table
- . economic indicator charts
- . basic data for California economic series
- . chronology of major economic events

Developments in California over the most recent months are reviewed in a brief text, and then summarized in a current data table which shows changes over the previous year. Charts containing monthly and quarterly series from 1972 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State economy. Much of the data in the report has been seasonally adjusted by the source agency or the Department of Finance.

Sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published. Finally, reference dates for U.S. business cycles, as determined by the National Bureau of Economic Research, are shown on the back of the publication.

The Department of Finance welcomes suggestions on additions or changes which would make the Indicators a more useful publication. Correspondence should be addressed to: State of California, Department of Finance, Financial Research Unit, 1025 P Street, Sacramento, CA 95814.

Subscriptions are \$8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

<u>Beginning Subscription Date</u>	<u>Prorated Amount Due</u>
January	\$8.00
March	6.75
May	5.40
July	4.05
September	2.70
November	1.35

Mail Subscription requests and prepayment (no billing available) to the California Department of Finance, P.O. Box 151, Sacramento, CA 95801. Make checks payable to the California Department of Finance.

The California economy continues to expand, but at a somewhat slower pace than earlier in the year. Housing construction remains strong, inflation is moderate, and employment gains continue to outpace the Nation. Two areas of weakness are retail sales and nonresidential construction.

Overall, employment continues to expand in California. Earlier this year, employment statistics were showing some conflicting trends. However, recently the gap between the establishment data, relating to nonfarm wage and salary workers, and the civilian employment series, has narrowed.

In June civilian employment rose 4.5 percent from the year-earlier level. This increase, combined with a 3.2 percent gain in the labor force, resulted in a drop in the jobless rate to 6.5 percent. The California unemployment rate has fallen steadily since February. The national unemployment rate declined to 7.1 percent in June.

Nonagricultural wage and salary employment increased 3.1 percent from June 1985 to June 1986. This growth added 341,000 nonfarm jobs during that time. In general, the services-oriented industries continue to post the largest employment gains. Both trade and services employment rose 5 percent in June on a year-over-year basis. Transportation-utilities, finance, and government saw increases in the 2 to 3 percent range.

The goods producing industries show mixed trends. The construction sector was again the strongest factor, with a 6.7 percent increase. Employment in mining and manufacturing continues to edge lower, offsetting much of the strength coming from housing construction.

The California Consumer Price Index, used to determine the rate of inflation for the State, rose 3.5 percent in June from the year earlier level. This modest pace, however, still surpasses the 1.7 percent year-over-year change in the CPI for the Nation.

Residential rents continue to put upward bias on the California CPI. Since the homeowner's cost component is on a rental equivalence basis, both homeowner's cost and residential rent exhibit from 7.6 to 10.5 percent year-to-year increases. Given their considerable weighting in the California CPI, these two factors essentially account for the difference between the U.S. and California rates of inflation.

In the U.S., energy commodities prices were down 40.2 percent on a seasonally adjusted annual rate basis for the first half of the year. Between May and June, however, gasoline prices rose slightly. As a result, the transportation indexes in the California regions and the U.S. saw their largest upward movement in several months. Nevertheless, all of these indexes remained below year-earlier levels, and further declines would not be unexpected.

For the month, fuel and other utility prices were up strongly in the U.S. and California, due to lifeline rate adjustments and price increases for natural gas and electricity. The Los Angeles area saw 9.8 percent increase in fuel and other utilities year-over-year. The San Francisco area, on the other hand still remains 1.3 percent below the June 1985 level while San Diego is even lower, having dropped 4.0 percent.

The apparel and upkeep component continues to record very small to negative gains in prices in all three sampling regions of California. The 6.0 percent jump recorded in the San Francisco region between February and April appears to be an anomaly to the trend over the past year. Prices for that region fell back 3.8 percent between April and July. For the year, prices have declined 4.4 percent in the San Francisco area.

Medical care costs continue at a fairly strong pace in all three regions. San Francisco posted a 7.8 percent year-to-year escalation, with Los Angeles at 7.1 percent and San Diego at 5.9 percent.

Nonresidential construction activity has tapered off gradually since the beginning of the year. In April, nonresidential authorized valuations totaled \$822 million on a seasonally adjusted basis. So far, nonresidential valuations in 1986 are down 23.9 percent from early 1985. The valuation of industrial projects, as well as additions and alterations, is down from 1985 also.

Commercial building activity, however, is up 17.4 percent. Commercial construction has been supported by building activity in the office, bank and professional category, even though office vacancy rates remain high in most parts of the State.

Home building, however, is still a major source of strength in the economy. The number of housing unit authorizations has remained at about a 300,000 annual rate for the period from March to May. Housing construction continues to be upheld by unusually high activity in multiple units, and this has also been the case nationwide. Strengthening rents, steady demand, higher land prices, the availability of construction financing, and the possibility of changes in tax laws affecting building, are undoubtedly contributing to the emphasis of multiples. The housing market is expected to remain strong through the end of the year.

Mortgage rates were up slightly in May and June as banks and loan companies swamped with customers. The average contract interest rate for conventional home mortgages in June was 9.77 percent for the Los Angeles-Long Beach-Anaheim area. Early in July a 1/2 percent drop in the discount rate to 6 percent was followed by a drop in the prime lending rate to 8.0 percent, continued rise in mortgage rates is not likely.

A slowdown in the growth of retail sales has been felt nationwide, however, it does not appear to be as pronounced in California as in the rest of the U.S. Retail sales data continue to suggest over-all expansion in the State. The May-May increase was 3.1 percent. California's \$14.8 billion in

retail sales represented 12.5 percent of all retail sales in the nation for the month.

Car sales, a major component of retail sales, fell slightly between May and June. New car registrations totaled 109,366 on a seasonally adjusted basis, in June.

OIL PRICES AND TOURISM

There has been considerable discussion about the impact of oil price declines on various sectors of the economy. The immediate impact on oil drilling and exploration activity has been substantial, even in California. Mining employment, for instance, has fallen 10 percent since the end of last year, with Kern County particularly hard hit.

Profits of oil-related industries have obviously been affected. Any cutbacks in dividends and reductions in proprietors' income could contribute to the negative aspect through lower spending and investment.

Offsetting such impacts, however, are the stimulative aspects. With an average 25-cents-per gallon reduction in the price of gasoline, total savings in California alone are likely to amount to \$2-1/2 billion over a year. Business firms and families with unusually high consumption of gasoline are seeing the greatest savings. In such cases, spending and investment decisions may directly impact specific sectors.

There has been much conjecture about which sectors will most likely benefit, with the tourist industry offered as a prime candidate. Conventional wisdom says that travel will be up because of falling fuel prices. The potential impact on tourism, however, illustrates the complex nature of the subject, and why available data will not be able to measure specific gains.

Tourism is expected to see another good year in 1986. However, attributing the gain to gasoline prices while ignoring the many other factors having a positive impact on the industry overlooks the broadly based interactions which make the California economy the vital and dynamic force that it is.

In the first place, gasoline is not the overriding cost element in travel budgets. Data on travel expenditures show auto transportation costs in total well down the line when compared with things like lodging, food, and public transportation. And gasoline expenses are only a fraction of the cost of auto transportation.

Relating the savings to the typical family, moreover, indicates that the average impact will be relatively small. If a family drives a total of 20,000 miles a year and gets 25 miles per gallon, their annual consumption of gasoline will amount to 800 gallons. Savings would therefore amount to \$200 in a year, or about \$16.70 a month.

This is not intended to suggest that people will not take longer trips because of lower gasoline prices but that more significant factors affecting tourism could well be the relatively low rate of inflation, continuing confidence in the business outlook, rising income, falling unemployment and the lower value of the dollar.

CURRENT CALIFORNIA ECONOMIC DATA

	1986				1985		Percent Change June 1985- June 1986
	June	May	April	March	June	May	
Employment^{a/}							
Civilian employment (000) - - - - -	12,465	12,325	12,319	12,338	11,926	11,958	4.5
Unemployment (000) - - - - -	861	879	898	912	976	926	-11.8
Unemployment rate - - - - -	6.5	6.7	6.8	6.9	7.6	7.2	--
Nonagricultural wage and salary^{a/} employment^{b/} (000)- - - - -							
	11,303.1	11,314.1	11,306.9	11,279.4	10,962.2	10,957.3	3.1
Mining - - - - -	41.2	42.0	45.3	47.3	50.6	50.8	-18.6
Construction - - - - -	513.1	520.0	519.4	508.3	480.9	486.3	6.7
Manufacturing - - - - -	2,061.3	2,068.6	2,071.7	2,075.6	2,084.6	2,088.1	-1.1
Aerospace ^{c/} - - - - -	n.a.	756.9	756.8	757.0	755.2	753.7	--
Transportation and public utilities -	581.6	586.8	586.3	587.8	567.9	566.1	2.4
Trade - - - - -	2,754.2	2,753.9	2,751.3	2,741.2	2,623.4	2,619.4	5.0
Finance, insurance, and real estate -	750.3	747.6	744.0	741.8	729.5	727.4	2.9
Services - - - - -	2,769.2	2,763.3	2,757.6	2,748.4	2,640.3	2,636.0	4.9
Government - - - - -	1,832.2	1,831.9	1,831.3	1,829.0	1,785.0	1,783.2	2.6
Federal - - - - -	346.7	346.8	349.3	349.6	341.6	341.7	1.5
State and local - - - - -	1,485.5	1,485.1	1,482.0	1,479.4	1,443.4	1,441.5	2.9
Hours and Earnings, Manufacturing							
Average weekly hours - - - - -	40.4	40.3	40.2	40.4	40.3	40.0	0.2
Average weekly earnings - - - - -	\$415.72	\$414.69	\$412.45	\$414.10	\$407.43	\$402.00	2.0
Average hourly earnings - - - - -	\$10.29	\$10.29	\$10.26	\$10.25	\$10.11	\$10.05	1.8
Index of Leading Indicators - - - - -	n.a.	142.8	144.2	143.5	138.8	137.9	--
Trade^{a/}							
Retail sales (millions) - - - - -	n.a.	\$14,799	\$14,326	\$14,159	\$13,808	\$14,354	--
New auto registrations (number) - - - -	109,366	114,104	114,694	97,641	102,622	71,731	6.6
New Incorporations (number) ^{a/} - - - - -	n.a.	5,007	5,981	5,302	4,914	5,037	--
Consumer Price Index, all items^{d/}							
California average (1967=100) - - - - -	339.8	n.a.	335.1	n.a.	328.2	n.a.	3.5
San Francisco (1967=100) - - - - -	344.0	n.a.	339.3	n.a.	333.2	n.a.	3.2
Los Angeles (1967=100) - - - - -	331.3	329.4	326.8	328.2	319.3	319.1	3.8
San Diego (1967=100) - - - - -	n.a.	362.8	n.a.	379.2	n.a.	372.1	--
Production							
Petroleum (000 barrels daily)- - - - -	n.a.	n.a.	n.a.	1,163.1	1,160.0	1,165.4	--
Portland cement (000 short tons)- - - -	n.a.	851.0	894.2	687.3	800.2	863.0	--
Selected redwood mill production (mil. FBM)	n.a.	64.9	77.3	63.8	65.0	66.8	--
Construction^{a/}							
Private residential housing units authorized, SAAR (000)- - - - -	n.a.	n.a.	304.8	302.2	225.3	233.4	--
Nonresidential building authorized, valuation (millions)- - - - -	n.a.	n.a.	\$822	\$1,007	\$1,095	\$1,080	--

^{a/}Adjusted for seasonal variation.^{b/}Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.^{c/}The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.^{d/}All urban series. New basis since January 1983.^{e/}Preliminary estimate.^{f/}Revised.

n.a. Not available

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census, Technical Paper No. 15, The X-11 Variant of the Census Method II, Seasonal Adjustment Program (November 1965.)

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's

publication, Business Cycle Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hours series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

Manufacturing Employment

This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable Sales

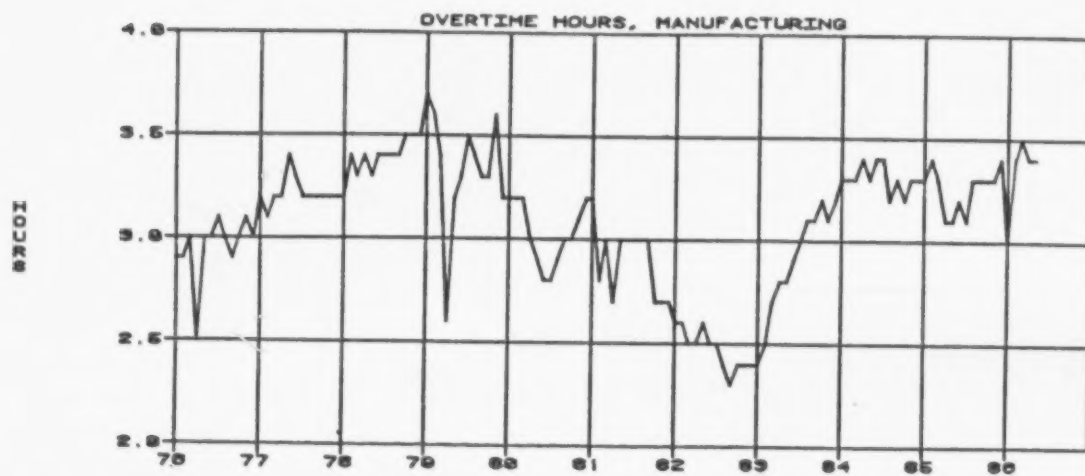
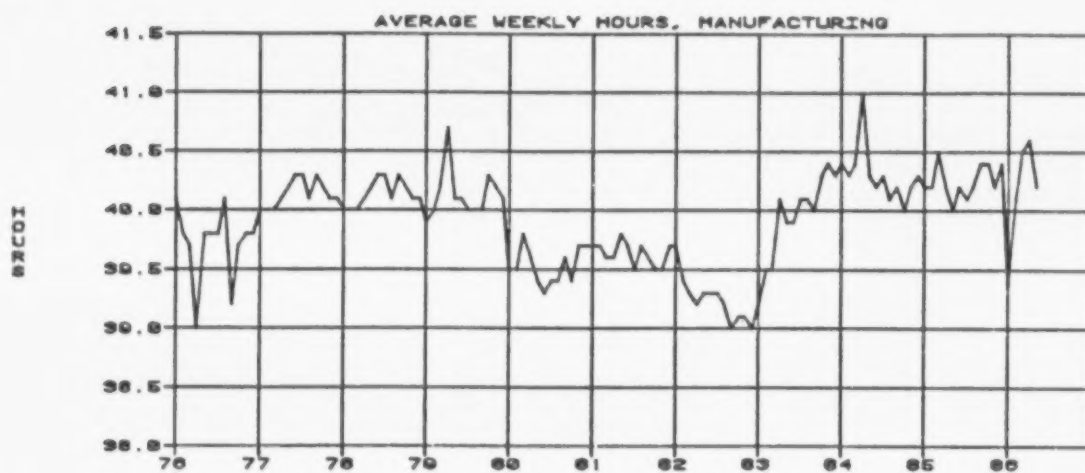
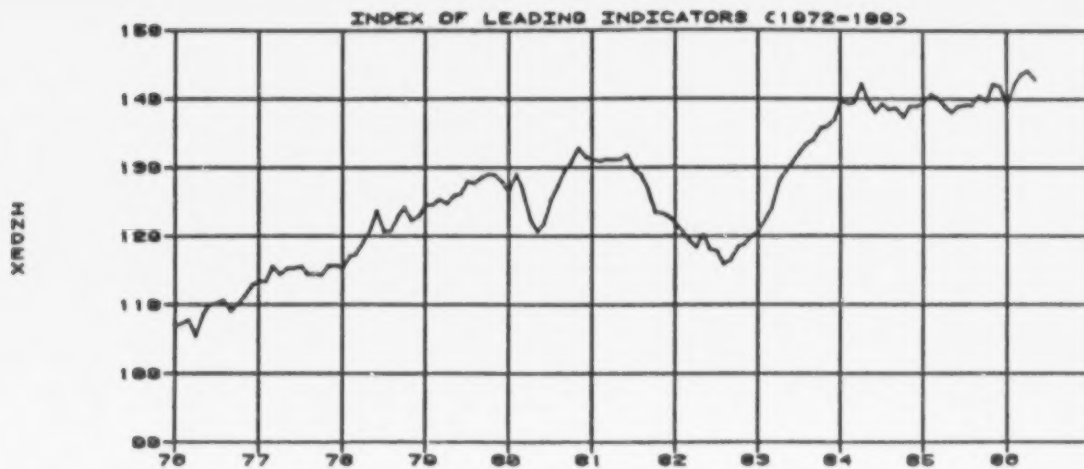
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but will be of interest to persons looking at overall economic developments.

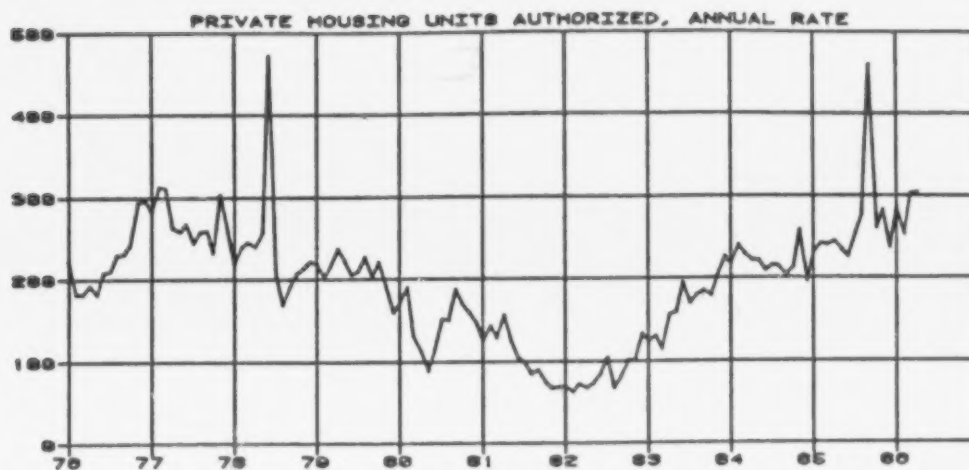
Standard Abbreviations

n.a. Not available
e Estimate

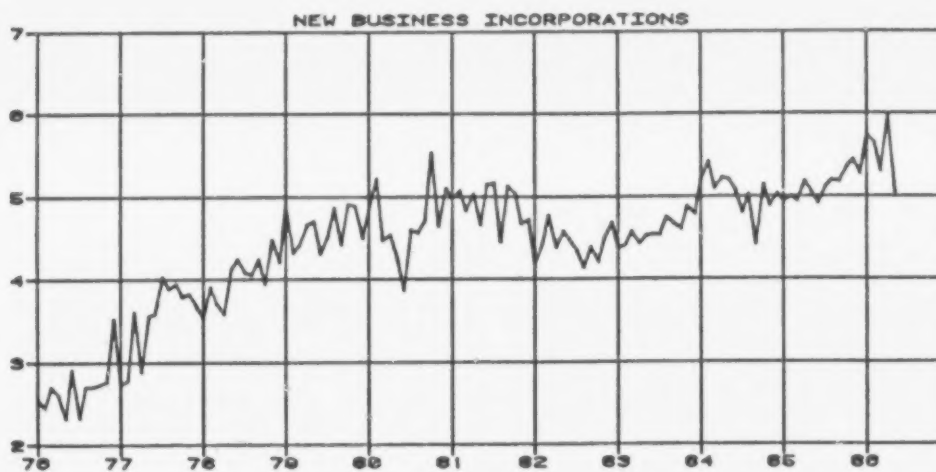
p Preliminary
r Revised



THOUSANDS



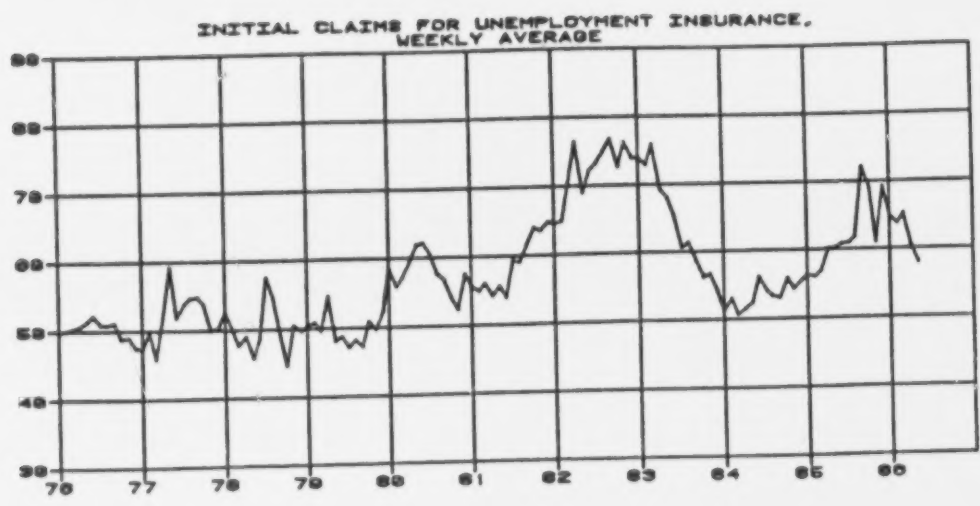
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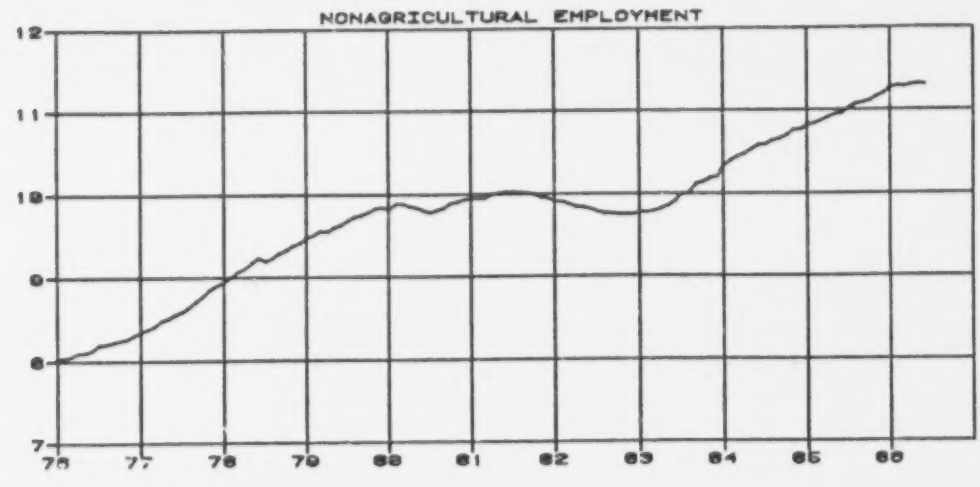
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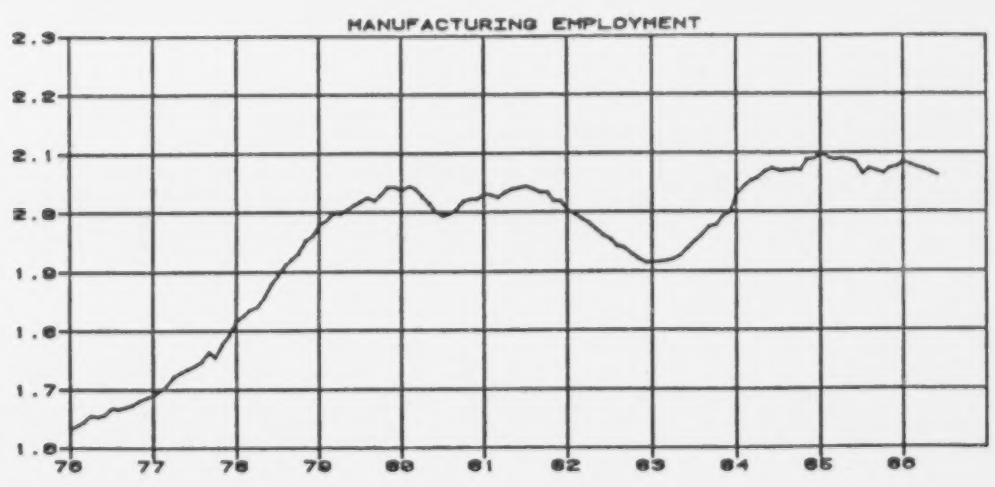
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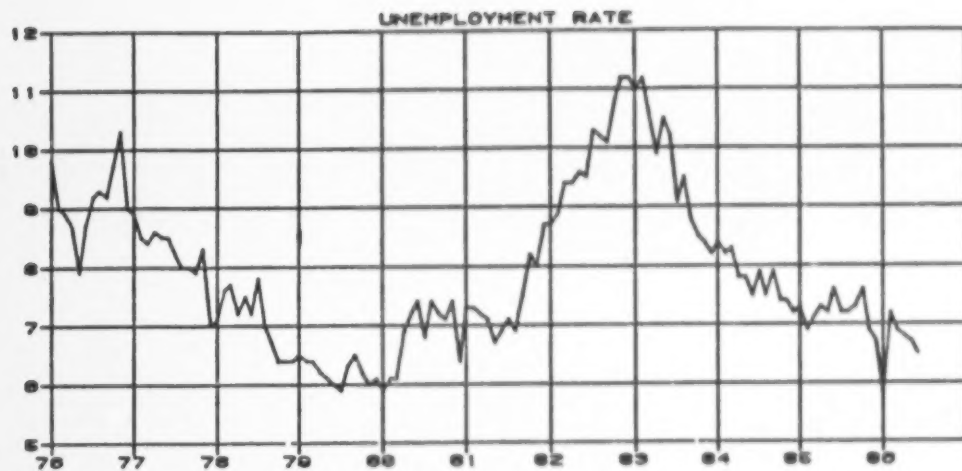
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020HFFHZ



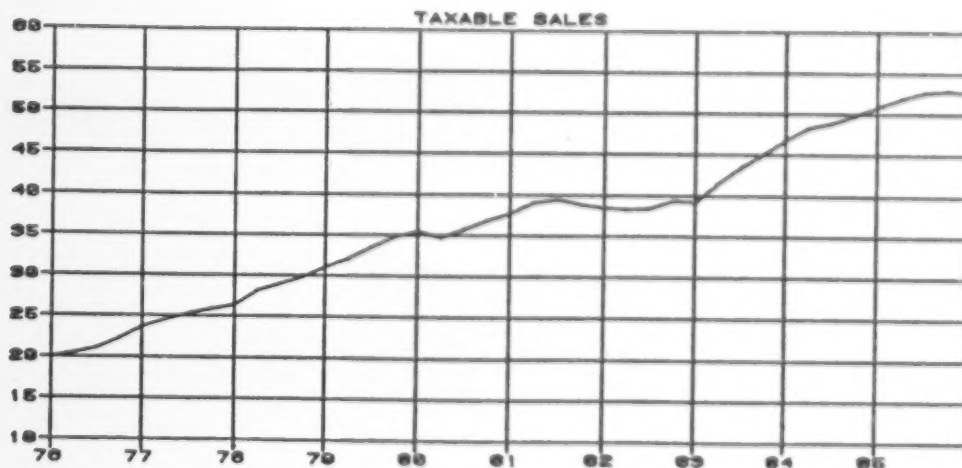
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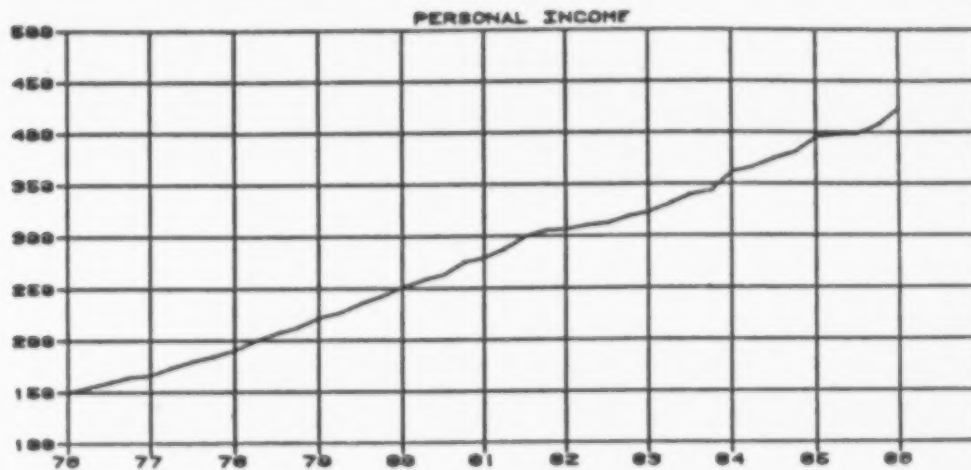
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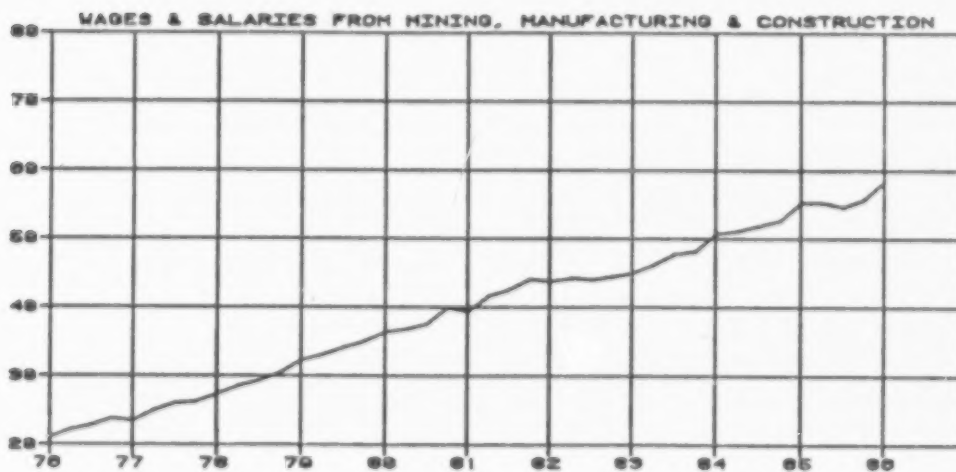
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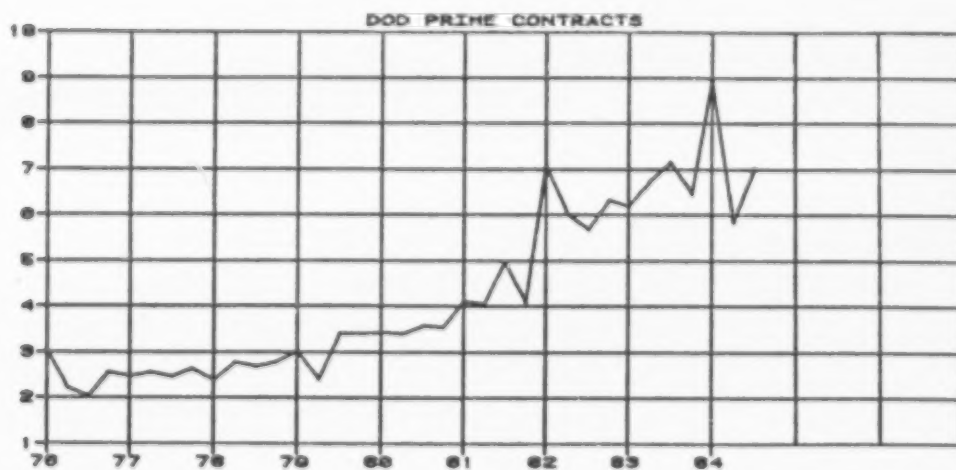
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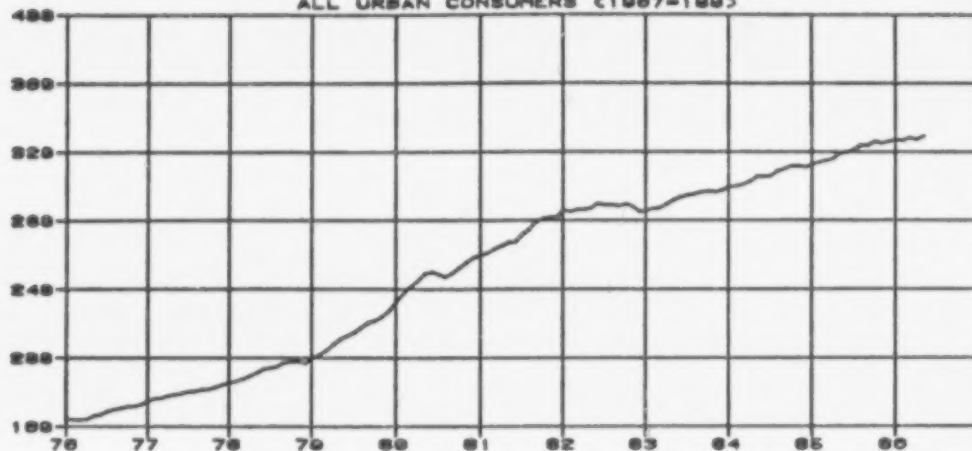


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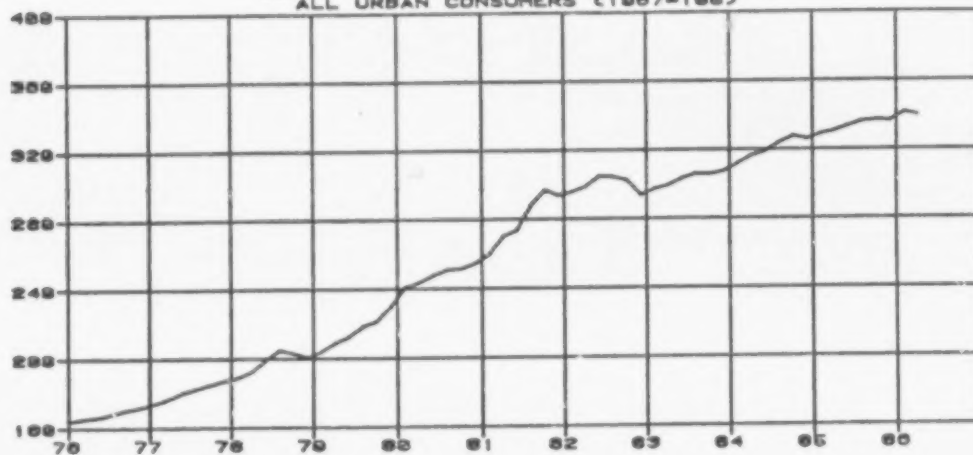
YR02M

CONSUMER PRICE INDEX, LOS ANGELES
ALL URBAN CONSUMERS (1967=100)



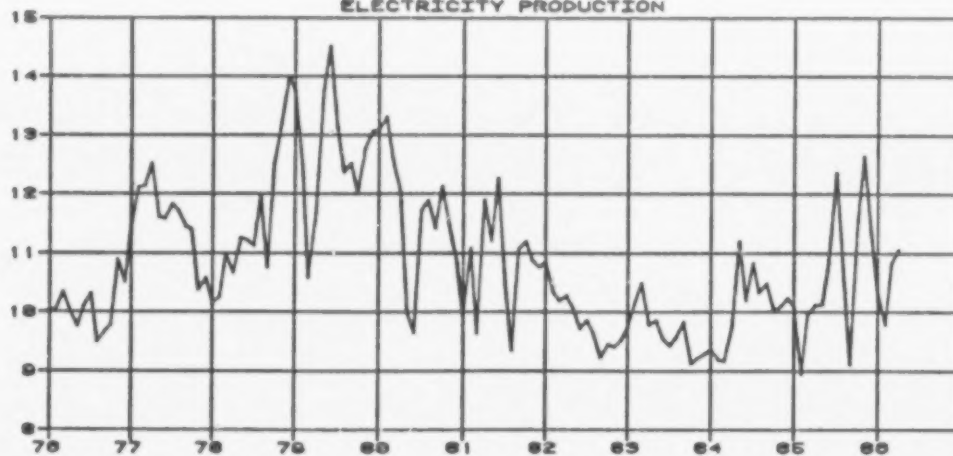
YR02M

CONSUMER PRICE INDEX, SAN FRANCISCO
ALL URBAN CONSUMERS (1967=100)



YR02M

ELECTRICITY PRODUCTION



BASIC DATA FOR CALIFORNIA ECONOMIC SERIES
(Seasonally Adjusted Except as Noted)

Leading Indicators

<u>Year and Month</u>	<u>Index of Leading Indicators (1972=100)</u> ^{c/}	<u>Average Weekly Hours Manufacturing</u>	<u>Help Wanted Ads-- Los Angeles Area (thousands)</u>	<u>Initial Claims for Unemployment Insurance Weekly Avg. (thousands)</u>	<u>Overtime Hours Manufacturing</u>	<u>Total Housing Units Authorized (thousands)</u> ^{a/}	<u>New Business Incorporations</u>
1982							
July	117.8	39.3	75.0	73.3	2.5	101.0	4,332
August	116.0	39.2	76.2	75.0	2.4	68.5	4,138
September	116.5	39.0	72.2	76.8	2.3	73.4	4,379
October	118.5	39.1	70.9	72.6	2.4	88.7	4,203
November	118.9	39.0	70.7	76.3	2.4	93.4	4,493
December	120.0	39.0	71.5	73.9	2.4	127.5	4,681
1983							
January	120.7	39.2	71.5	73.9	2.4	130.9	4,378
February	122.6	39.5	71.8	73.0	2.5	141.7	4,416
March	124.1	39.5	75.1	75.9	2.7	116.9	4,580
April	128.0	40.1	77.8	69.3	2.8	160.1	4,430
May	129.5	39.9	85.6	67.9	2.8	167.1	4,527
June	130.7	39.9	85.5	65.2	2.9	208.4	4,539
July	132.2	40.1	90.7	60.7	3.0	157.3	4,534
August	133.4	40.1	94.5	61.4	3.1	174.6	4,746
September	134.0	40.0	94.4	58.8	3.1	158.9	4,674
October	135.7	40.3	101.6	56.2	3.2	145.8	4,609
November	135.9	40.4	102.9	56.7	3.1	186.3	4,880
December	137.0	40.3	105.2	54.1	3.2	215.5	4,787
1984							
January	139.7	40.4	111.7	51.3	3.3	235.8	5,210
February	139.2	40.3	116.4	53.1	3.3	250.9	5,416
March	139.4	40.4	109.5	50.7	3.3	244.7	5,098
April	142.2	41.3	122.8	51.5	3.4	230.0	5,227
May	139.5	40.2	117.9	52.3	3.3	215.0	5,200
June	137.9	40.3	117.2	56.1	3.4	206.8	5,069
July	139.3	40.3	127.8	54.2	3.4	200.7	4,807
August	138.4	40.1	115.5	53.3	3.2	216.1	5,020
September	138.6	40.2	118.3	53.0	3.3	174.4	4,425
October	137.3	40.0	117.2	56.0	3.2	191.5	5,136
November	138.8	40.2	112.6	54.3	3.3	256.9	4,888
December	138.8	40.3	121.3	55.5	3.3	177.6	5,031
1985							
January	139.4	40.2	118.3	56.3	3.3	241.0	4,931
February	140.6	40.2	118.1	56.1	3.4	242.2	4,997
March	140.3	40.5	118.1	56.9	3.3	254.0	4,940
April	138.9	40.2	120.3	60.1	3.1	249.5	5,184
May	137.8	40.0	115.1	60.3	3.1	224.1	5,037
June	138.6	40.2	118.3	60.8	3.2	210.3	4,914
July	138.9	40.1	119.7	61.1	3.1	242.0	5,109
August	138.9	40.2	117.7	61.9	3.3	275.6	5,195
September	140.3	40.4	123.9	72.1	3.3	455.6	5,176
October	139.5	40.4	120.8	68.9	3.3	244.7	5,366
November	142.2	40.2	123.5	61.1	3.3	245.7	5,446
December	141.8	40.4	120.6	69.2	3.4	216.9	5,277
1986							
January	139.0	39.4	116.1	64.8	3.0	279.0	5,740
February	142.1	40.1	119.7	63.7	3.4	252.5 ^{c/}	5,642
March	143.5	40.5	118.7	65.2	3.5	302.2	5,302
April	146.1	40.6	120.1	60.6	3.4	304.8	5,981
May		40.2	112.3	57.9	3.4		5,007

^{a/} Annual rate basis.
^{c/} revised.

BASIC DATA FOR CALIFORNIA ECONOMIC SERIES (Continued)
(Seasonally Adjusted Except as Noted)

Year and Month	Coincident Indicators						Other Indicators
	Nonagri- cultural Employment (thousands)	Wages and Salaries in Mining, Manu- facturing and Construction (mil dol.) a/	Unemploy- ment Rate	Insured Unemployment Average Weeks Claimed (thousands)	Personal Income (mil dol.) a/	Taxable Sales (mil dol.) a/	Manufac- turing Employment (thousands)
1982							
January	9,905.2		8.7	420			2,002.8
February	9,902.9	53,540	8.8	446	305,568	38,488	1,995.7
March	9,878.0		9.3	469			1,989.6
April	9,846.5		9.4	504			1,980.9
May	9,835.1	53,649	9.5	506	310,474	38,263	1,970.0
June	9,818.4		9.6	535			1,961.2
July	9,789.7		10.3	519			1,954.4
August	9,759.4	53,204	10.3	545	312,794	38,404	1,942.8
September	9,764.2		10.2	560			1,938.9
October	9,747.5		10.8	561			1,928.3
November	9,749.1	53,515	11.2	570	318,984	39,353	1,920.7
December	9,749.4		11.1	569			1,913.9
1983							
January	9,772.4		11.0	514			1,913.7
February	9,773.2	53,764	11.2	539	323,182	39,195	1,915.5
March	9,790.5		10.6	548			1,916.2
April	9,823.9		9.9	519			1,920.2
May	9,850.1	55,224	10.5	506	330,703	41,450	1,927.0
June	9,901.2		10.2	496			1,937.5
July	9,997.9		9.1	426			1,950.7
August	9,996.9	57,286	9.5	446	339,773	43,437	1,961.3
September	10,108.4		8.8	406			1,974.3
October	10,134.6		8.5	392			1,977.8
November	10,183.8	57,977	8.4	401	343,942	45,016	1,993.1
December	10,210.9		8.2	370			1,999.1
1984							
January	10,332.1		8.4	362			2,029.6
February	10,395.8	61,741	8.2	350	362,008	46,828	2,043.9
March	10,441.0		8.3	332			2,052.3
April	10,479.9		7.8	326			2,058.9
May	10,535.0	62,040	7.8	337	366,608	48,374	2,068.2
June	10,583.4		7.5	326			2,073.7
July	10,591.9		7.9	344			2,069.9
August	10,634.6	63,048	7.5	341	375,086	48,871	2,071.2
September	10,654.1		7.9	333			2,071.5
October	10,703.5		7.4	361			2,070.3
November	10,759.6	63,874	7.4	355	381,106	49,781	2,088.7
December	10,767.2		7.2	357			2,090.5
1985							
January	10,820.9		7.3	371			2,099.3
February	10,845.0	68,125	6.9	368	395,464	50,949	2,092.6
March	10,871.2		7.1	363			2,088.8
April	10,915.4		7.3	386			2,090.4
May	10,957.3	68,000	7.2	385	397,952	51,947	2,088.1
June	10,962.2		7.6	383			2,084.6
July	11,028.9		7.2	396			2,064.2
August	11,071.8	67,376	7.2	390	399,141	52,690	2,074.2
September	11,092.2		7.3	411			2,069.9
October	11,117.4		7.6	414			2,065.3
November	11,165.6	68,883	6.9	382	407,932	52,889	2,074.0
December	11,201.8		6.7	418			2,076.0
1986							
January	11,273.0		5.8	387			2,085.0
February	11,292.5		7.2	397	423,286	52,553	2,079.9
March	11,279.4	72,792	6.9	388			2,075.6
April	11,306.9		6.8	407			2,071.7
May	11,314.1		6.7	388			2,068.6
June	11,303.1		6.5				2,061.3

a/ Annual rate basis.
E/ Revised

BASIC DATA FOR CALIFORNIA ECONOMIC SERIES (Continued)
(Seasonally Adjusted Except as Noted)
Other Indicators

Year and Month	DOD Prime Contracts (mil dol.) ^{a/}	Consumer Price Index (1967=100)b/				Net New S&L Savings ^{b/} (mil dol.)	Electricity Production (mil KWH)
		San Francisco		Los Angeles			
		Wage Earner and Clerical Worker	All Urban	Wage Earner and Clerical Worker	All Urban		
1982							
January		--	--	289.6	285.6	384	10,854
February	7,080	294.9	295.8	289.2	285.4	172	10,349
March		--	--	290.2	286.4	-180	10,192
April		297.8	298.8	290.3	286.6	-1,084	10,284
May	6,020	--	--	290.6	287.1	-46	10,035
June		303.4	304.6	293.9	290.1	-1,139	9,727
July		--	--	293.0	289.3	-142	9,857
August	5,683	302.8	304.3	292.8	289.1	-411	9,616
September		--	--	291.7	288.2	78	9,223
October		301.3	302.4	292.8	289.5	-614	9,446
November	6,326	--	--	291.6	288.5	779	9,403
December		293.6	293.9	288.0	285.3	3,492	9,527
1981							
January		--	--	288.0	285.6	5,803	9,753
February	6,173	293.9	297.3	290.1	286.8	2,738	10,193
March		--	--	289.6	287.1	1,992	10,484
April		294.7	299.3	290.2	289.5	2,301	9,775
May	6,740	--	--	292.1	292.0	2,381	9,865
June		298.6	303.0	292.1	293.6	1,043	9,558
July		--	--	293.2	294.5	2,066	9,425
August	7,157	301.6	306.0	293.7	295.2	3,207	9,571
September		--	--	296.7	296.4	3,476	9,829
October		301.4	305.7	299.0	297.0	1,678	9,124
November	6,462	--	--	297.8	296.5	273	9,208
December		306.1	307.3	299.9	297.7	2,227	9,296
1984							
January		--	--	297.9	299.1	3,508	9,357
February	8,930	308.7	311.7	299.0	300.2	1,754	9,195
March		--	--	297.9	300.7	3,167	9,156
April		311.1	316.4	298.9	302.8	3,393	9,760
May	5,843	--	--	303.1	305.4	5,312	11,202
June		315.1	318.7	303.4	305.6	3,322	10,201
July		--	--	300.3	305.9	3,244	10,828
August	7,045	322.7	323.4	305.1	308.6	-971	10,320
September		--	--	304.2	310.2	2,189 ^{a/}	10,480
October		319.3	327.5	302.5	311.9		10,003
November		--	--	304.2	311.8		10,085
December		321.5	325.8	306.5	311.1	5,875	10,239
1985							
January		--	--	308.1	313.0		10,074
February		324.2	328.7	309.1	314.1		8,936
March		--	--	309.8	314.7	-1,904	9,949
April		326.1	330.4	311.2	315.9		10,111
May		--	--	314.1	319.1		10,133
June		328.7	333.2	314.1	319.3	-1,825	10,819
July		--	--	315.8	321.3		12,356
August		330.8	335.8	318.0	323.9		10,890
September		--	--	317.7	323.8	-1,658	9,115
October		331.0	336.7	320.0	326.1		11,539
November		--	--	319.1	325.0		12,639
December		331.3	336.4	320.1	326.1	1,334	11,363
1986							
January		--	--	320.9	326.8		10,302
February		336.0	341.1	320.4	326.6		9,783
March		--	--	321.6	328.2		10,830
April		333.2	339.3	320.2	326.8		11,069
May		--	--	322.7	329.4		
June		338.1	344.0	324.5	331.3		

^{a/}Quarterly data beginning with third quarter 1984.

^{b/}Not adjusted for seasonal variation.

^{c/}Revised.

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1969

January 1	Social security contribution rate increased to combined 9.6 percent.
January 7	Prime rate raised from 6-3/4 percent to 7 percent.
January 24	FHA interest rate raised from 6-3/4 percent to 7-1/2 percent.
March 17	Prime rate raised from 7 percent to 7-1/2 percent.
April 3	Discount rate raised from 5-1/2 percent to 6 percent; reserve requirement raised.
June 9	Prime rate raised from 7-1/2 percent to 8-1/2 percent.
June 12	Required liquidity reserves of savings and loan associations lowered from 6-1/2 percent to 6 percent.
October 27-February 1970	General Electric strike.

1970

January 1	Personal income tax surcharge reduced to 5 percent. Withholding cut.
January 5	FHA interest rate raised from 7-1/2 percent to 8-1/2 percent.
January 21	Increased schedule of interest rates on time deposits and certificates of deposit in effect.
March 25	Prime rate reduced from 8-1/2 percent to 8 percent.
April 2-June 2	Teamster strike.
May 6	Stock margin requirement cut from 80 percent to 65 percent.
July 1	Personal income tax surcharge removed.
September 14-November 23	UAW strike against GM.
September 22	Prime rate reduced from 8 percent to 7-1/2 percent.

1970--Continued

November 10	Discount rate reduced from 6 percent to 5-3/4 percent.
November 12	Prime rate reduced from 7-1/2 percent to 7-1/4 percent.
November 23	Prime rate reduced from 7-1/4 percent to 7 percent.
December 1	Discount rate reduced from 5-3/4 percent to 5-1/2 percent. FHA interest rate reduced from 8-1/2 percent to 8 percent.
December 20	13-week extended duration unemployment benefits in effect.
December 22	Prime rate reduced from 7 percent to 6-3/4 percent.

1971

January 6	Prime rate reduced from 6-3/4 percent to 6-1/2 percent.
January 8	Discount rate reduced from 5-1/2 percent to 5-1/4 percent.
January 12	FHA interest rate reduced from 8 percent to 7-1/2 percent.
January 15	Prime rate reduced from 6-1/2 percent to 6-1/4 percent.
January 18	Prime rate reduced from 6-1/4 percent to 6 percent.
January 19	Discount rate reduced from 5-1/4 percent to 5 percent.
February 4	Rolls Royce bankruptcy announced.
February 9	Los Angeles earthquake.
February 12	Discount rate reduced from 5 percent to 4-3/4 percent.
February 16	Prime rate reduced from 6 percent to 5-3/4 percent.
February 23	Davis Bacon Act regulating construction wages on Federal projects suspended. Suspension revoked on March 29. Wage-price curbs ordered.

CHRONOLOGY--Continued

1971--Continued

March 16	Prime rate reduced from 5-3/4 percent to 5-1/2 percent.
March 17	Social security bill signed. Benefits raised 10 percent, retroactive to January 1, 1971. Contribution base raised to \$9,000 effective January 1, 1972.
March 25	SST program terminated.
April 1	Interest rates on savings accounts in California banks generally reduced from 4-1/2 percent to 4 percent.
April 23	Prime rate raised from 5-1/4 percent to 5-1/2 percent.
May 1	Liquidity ratio for savings and loan associations raised from 6-1/2 percent to 7-1/2 percent.
May 17-18	Rail strike.
June 1-July 27	Communications workers strike against Western Union.
June 15-21	Prime rate increased from 5-1/2 percent to 5-3/4 percent. General rise to 6 percent on July 7.
June 29-July 16	Northern California construction strike.
July 1-October 6	West Coast dock strike.
July 14-August 2	Telephone strike.
July 15	Discount rate raised from 4-3/4 percent to 5 percent.
July 16-August 2	Rail strike.
July 31	Steel strike averted by accord on contract.
August 2	Lockheed loan guarantee approval.
August 3	Teamsters walkout in Northern California against building contractors.
August 15-November 13	President's economic policy message; 90-day wage-price freeze in effect.
October 1	East and Gulf Coast longshoremen's strike.
October 20	Prime rate reduced from 6 percent to 5-3/4 percent. Further reduction to 5-1/2 percent on November 4.

1971--Continued

November 11	Discount rate reduced from 5 percent to 4-3/4 percent.
November 14	Phase II of NEP in effect.
December 6	Stock margin requirements cut from 65 percent to 55 percent.
December 10	Revenue Act of 1971 signed into law.
December 13	Discount rate reduced from 4-3/4 percent to 4-1/2 percent. Prime rate lowered from 5-1/2 percent to 5-1/4 percent.*
	Intent to devalue U.S. dollar announced.

1972

January 17-February 20	West Coast dock strike continued.
February 1-March 15	Kaiser Steel Company strike.
July 1	20 percent increase in social security benefits signed into law. Effective September.
September 11	Opening of BART Fremont-Oakland line.
September 21	"Friends of Mammoth" decision.
November 24	Stock margin requirements raised to 65 percent.

1973

January 11	Phase III of NEP in effect.
January 15	Discount rate raised from 4-1/2 percent to 5 percent.
January 27	Viet Nam cease fire signed.
January 29	Opening of BART Richmond-Oakland line.
February 12	10 percent devaluation of U.S. dollar announced.
March 2	Major foreign currency exchanges closed.
March 29	Price controls of meat announced.

* Adoption of a floating prime rate in November 1971 has resulted in frequent minor adjustments in the rate. Information on the range of rates at any one time and the rate charged by the majority of commercial banks may be obtained from the Federal Reserve Bulletin.

CHRONOLOGY--Continued

1973

April 9-13 Consumer meat boycott.

April 23 Discount rate raised from 5-1/2 percent to 5-3/4 percent.

May 10 Discount rate raised from 5-3/4 percent to 6 percent.

June 11 Discount rate raised from 6 percent to 6-1/2 percent.

June 14 60-day price freeze announced.

July 2 Discount rate raised from 6-1/2 percent to 7 percent. Increased reserve requirement on net demand deposits.

July 6 Interest rates increased: FHA mortgage rate: 7 percent to 7-3/4 percent; bank savings rate: 4-1/2 percent to 5 percent; savings and loan rate: 5 percent to 5-1/4 percent.

July 18 Phase IV announced.

August 27 Prime rate at 9-3/4 percent in major institutions.

October 17 Arab nations announce reductions in oil shipment.

November 5-December 18 TWA strike.

1974

January 3 Stock margin requirements cut from 65 percent to 50 percent.

February 1-11 Independent truckers strike, midwest and east coast.

February 15 Prime rate reduced to 9 percent.

February 22 Prime rate reduced to 8-3/4 percent.

March 4 California minimum wage increased to \$2.00 per hour from \$1.65.

March 18 Arab oil embargo lifted.

March 27 Prime rate increased to 9 percent from 8-3/4 percent.

March 28 Prime rate further increased to 9-1/2 percent.

April 25 Federal Reserve raised discount rate to 8 percent from 7-1/2 percent.

April 29 Prime rate up to 10-3/4 percent.

1974--Continued

April 30 Phase IV controls lifted in approximately 165 sectors of the economy.

June 17-August 4 San Diego construction strike.

June 17-July 21 Northern California construction strike.

July 1-Mid-August Southern California construction strike.

July 1 Transit strikes, San Francisco Bay Area.

August 2-October 21 Los Angeles area transit strike.

August 8 Resignation of President Nixon announced.

August 14 FHA mortgage rate raised to 9-1/2 percent.

Prime rate reduced from 12 percent to 11-3/4 percent on limited basis. Prevailing rate on date of major changes:

October 21...11 1/2 percent
October 28...11 1/4 percent
November 4...11 percent
November 14...10 3/4 percent
November 25...10 1/2 percent

October 8 Prime rate reduced from 12 percent to 11-3/4 percent by several more large banks.

November 12-December 9

Coal strike.

December 9

Discount rate reduced from 8 percent to 7-3/4 percent.

1975

January 6 Federal Reserve discount rate cut from 7-3/4 percent to 7-1/4 percent.

January 10 Oil Chemical Atomic Workers Union strike.

January 13 Prime rate reduced to 10 percent. Further major cuts as follows:

January 21.....9 3/4 percent
January 31.....9 percent
February 6.....8 3/4 percent
February 19.....8 1/2 percent
March 3.....8 1/4 percent
March 8.....8 percent

January 21 FHA mortgage rate reduced from 9 percent to 8-1/2 percent.

February 5 Federal Reserve discount rate cut from 7-1/4 percent to 6-3/4 percent.

CHRONOLOGY--Continued

1975--Continued

March 10 Federal Reserve discount rate cut from 6-3/4 percent to 6-1/4 percent.

March 24 Prime rate reduced to 7-1/2 percent by most major banks.

March 25 King Faisal assassinated.

March 29 Tax reduction act signed into law.

May 19 Prime rate reduced to 7-1/4 percent by several major banks.

June 10 Prime rate reduced to 7 percent by most banks.

July 18 Prime rate increased to 7-1/4 percent. Further gains as follows:
 July 25.....7-1/2 percent
 August 11.....7-3/4 percent
 September 15....8 percent

September 1 National Airlines strike.

October 16 Reserve requirement on time deposits reduced from 3 percent to 1 percent.

October 24 Prime rate reduced to 7-3/4 percent. Further reductions as follows:
 October 31.....7-1/2 percent
 November 21.....7-1/4 percent

December 5-19 United Airlines strike.

1976

January 12 Prime rate lowered to 7 percent.

January 19 Federal Reserve discount rate lowered from 6 percent to 5-1/2 percent.

January 21 Prime rate reduced to 6-3/4 percent.

April 1-3 Teamsters strike.

April 9-June 4 Prime rate moving upward, 6-3/4 percent to 7-1/4 percent at most major banks.

April 21 Rubber workers strike.

July 20-August 2 Cannery workers strike.

August 2 Prime rate reduced to 7 percent. Further reductions as follows:
 October 4.....6-3/4 percent
 October 29.....6-1/2 percent
 December 10....6-1/4 percent

1976--Continued

September 15-October 13 Auto workers strike.

October 18 California minimum wage raised to \$2.50 per hour.

December 22 Prime rate reduced to 6 percent by Chase Manhattan Bank. Most banks maintain a prime rate of 6-1/4 percent.

1977

May 16 Prime rate raised to 6-1/2 percent.

May 31 Prime rate raised to 6-3/4 percent.

August 22 Prime rate raised to 7 percent.

August 30 Federal Reserve discount rate raised from 5-1/4 percent to 5-3/4 percent, the first increase since April 1974.

September 16 Prime rate raised to 7-1/4 percent.

October 1-November 24 Longshoremen's strike against East and Gulf Coast ports.

October 7 Prime rate raised to 7-1/2 percent.

October 10-January 4 IAM-Lockheed strike.

October 24 Prime rate raised from 7-1/2 percent to 7-3/4 percent.

October 26 Discount rate raised from 5-3/4 percent to 6 percent.

December 6-March 24 United Mine Workers strike.

1978

January 1 U.S. minimum wage increased to \$2.65 per hour.

January 9 Discount rate raised from 6 percent to 6-1/2 percent.

January 10 Prime rate raised to 8 percent.

February 28 FHA mortgage rate raised from 8-1/2 percent to 8-3/4 percent.

April 1 California minimum wage increased from \$2.50 to \$2.65 per hour.

April 1-May 28 United Airlines strike.

May 4 Prime rate raised from 8 percent to 8-1/4 percent.

CHRONOLOGY--Continued

1978--Continued

May 8 California savings and loan associations raised mortgage rates from 9-3/4 percent to 10 percent.

May 12 Discount rate raised to 7 percent.

May 23 Federal funds rate increased to 7-1/2 percent.

FHA-VA mortgage rate raised from 8-3/4 percent to 9 percent.

May 26 Prime rate raised from 8-1/4 percent to 8-1/2 percent.

June 6 Proposition 13 approved by California voters.

June 16 Prime rate raised to 8-3/4 percent.

June 20 OPEC announced a freeze on crude oil prices until December 16.

June 22 Federal funds rate raised from 7-1/2 percent to 7-3/4 percent.

June 29 FHA-VA mortgage rate raised to 9-1/2 percent.

June 30 Prime rate raised to 9 percent.

July 10 Discount rate raised to 7-1/4 percent.

July 18 Teamsters union strike affecting supermarkets throughout Northern California.

August 20 Retail clerks union strike in Southern California.

August 21 Discount rate raised to 7-3/4 percent.

August 29 Federal funds rate raised from 8-1/8 percent to 8-1/4 percent.

August 31 Prime rate raised by some eastern banks from 9 percent to 9-1/4 percent.

September 15 Prime rate raised to 9-1/2 percent.

September 22 Discount rate raised from 7-3/4 percent to 9-3/4 percent.

September 28 Prime rate raised from 9-1/2 percent to 9-3/4 percent.

1978--Continued

October 12 Prime rate raised from 9-3/4 percent to 10 percent.

October 15 Tax cut and energy bills passed by Congress.

October 16 Discount rate raised from 8 percent to 8-1/2 percent.

October 18 Federal funds rate raised from 8-3/4 percent to 8-7/8 percent.

October 24 Prime rate raised from 10 percent to 10-1/4 percent.

California mortgage rates raised from 10 percent to 10-1/4 percent at several savings and loan institutions.

October 24 Phase II announced: voluntary guidelines on wages and prices.

November 1 Discount rate raised from 8-1/2 percent to 9-1/2 percent.

Prime rate raised to 10-1/2 percent.

November 3 Prime rate raised from 10-1/2 percent to 10-3/4 percent.

November 13 Prime rate raised from 10-3/4 percent to 11 percent.

November 24 Prime rate raised to 11-1/2 percent.

November 27 Federal funds rate raised from 9-3/4 percent to 9-7/8 percent.

December 4 Rollover for 6-month certificates of deposit (CDs) began this week.

December 19 Federal funds rate raised to 10 percent.

December 20 Prime rate raised to 11-3/4 percent.

1979

January 1 U.S. minimum wage increased to \$2.90 per hour.

January 13 Prime rate reduced to 11-1/2 percent.

March 15 Terms for MMCs changed. 1/4 point differential over 9 percent eliminated.

March 27 OPEC price increases: 9 percent. Selected surcharges imposed.

CHRONOLOGY--Continued

1979--Continued

March 31- May 26	United Airlines-machinist strike.
April 1-10	Teamsters strike.
May 7	Prime rate moved to 11-3/4 percent from 11-1/2 percent.
May 19	Federal funds rate set at 7-1/4 percent.
May 30	Interest rate on conventional mortgages raised to 11-3/4 percent.
June 12	Prime rate reduced to 11-1/2 percent.
July 1	Interest rates on passbook accounts up to 5.5 percent at Savings and Loans and 5.25 percent for banks.
July 20	Discount rate raised from 9-1/2 percent to 10 percent.
August 16	Discount rate raised to 10-1/2 percent.
August 24	Federal funds rate raised from 11 percent to 11-1/4 percent.
August 26- September 10	Los Angeles Rapid Transit District strike.
August 28	Prime rate raised from 12 percent to 12-1/4 percent.
August 31- November 21	BART strike.
September 4	Federal funds rate raised from 11-1/4 percent.
October 6	Change in federal reserve policy announced.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.

1980--Continued

March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent from 13 percent.
June 4	Prime rate reduced to 13 percent.
June 12	Discount rate lowered to 11 percent. Prime rate reduced to 12-1/2 percent.
June 20	Prime rate reduced to 12 percent.
June 24	Prime rate reduced to 11-1/2 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21- October 23	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.

CHRONOLOGY--Continued

1980--Continued

July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California mortgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 14	PSA pilots strike ends.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from \$3.10 to \$3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
June 5	Dollar reaches highest level in international trading since December 1971.

CHRONOLOGY--Continued

1981--(Continued)

July 8	Prime rate raised to 20-1/2 percent.
August 3 January 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent. Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at \$34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.
November 2	Fed discount rate cut from 14 percent to 13 percent. Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent. FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.

1981--(Continued)

December 12	Martial law imposed in Poland.
	<u>1982</u>
January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
January 27	Federal funds rate raised to 13-3/4 percent.
February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut back to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at \$34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.

CHRONOLOGY--Continued

1982--Continued

July 20 Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.

July 27 Prime rate lowered to 15-1/2 percent.

August 2 Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.

August 9 Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.

August 16 Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.

August 18 Dow Jones Industrial Average rose 38.81 points--an all-time record.

August 19 The stock market trading soared to a record 132,690,000 shares.

August 27 Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

September 19 National Football League players strike began.

Railroad strike involving locomotive engineers began.

September 23 Railroad strike ends.

September 24 FHA mortgage loan rate lowered from 14 percent to 13.5 percent.

October 7 Prime rate lowered to 13 percent.

October 12 Discount rate lowered from 10 percent to 9-1/2 percent.

October 15 Prime rate lowered to 12 percent.

November 1 General Motors reduces auto financing interest rate from 18.0 percent to 10.9 percent.

November 22 Discount rate cut from 9-1/2 percent to 9 percent.

November 23 Prime rate lowered from 12 percent to 11-1/2 percent.

1982 (Continued)

December 13 Discount rate cut to 8-1/2 percent.

December 14 Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5 Super NOW accounts introduced.

January 11 Prime rate lowered to 11 percent.

January 31 Independent truckers strike begins.

February 10 Independent truckers strike end.

February 15 Toyota/GM agreement to build a small car in late 1984.

February 25 Prime rate lowered to 10-1/2 percent.

March 14 OPEC sets \$29 per barrel benchmark price and production quota of 17.5 million barrels.

May 2 A 6.5 magnitude earthquake strikes the town of Coalinga.

June 8 The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.

June 18 Paul Volcker reappointed as Federal Reserve Board Chairman.

June 24 The Federal Budget deficit totalled a record \$29.29 billion in May.

July 7 The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.

July 13 Chrysler Corporation announced it will repay the remaining \$800 million in federally guaranteed loans by September, seven years before they are due.

July 25 The Washington Public Power Supply System defaulted on \$2.25 billion in bonds, creating the largest municipal default in U.S. history.

CHRONOLOGY--Continued

1983 (Continued)

August 1 California's \$1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling \$700 million, maturing next April and June, were oversubscribed.

August 2 The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.

August 7-
August 28 The Communications Workers of America and two other unions strike AT&T.

August 8 Prime rate raised from 10-1/2 percent to 11 percent by most major banks.

August 23 The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.

September 1 Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.

November 1 Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.

November 3-
December 21 Strike against Greyhound Lines Inc.

December 1 FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3 Breakup of AT&T becomes effective.

February 2 Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.

March 19 Prime rate raised from 11 percent to 11-1/2 percent.

March 20 Maximum rate on VA loans raised from 12-1/2 to 13 percent.

April 4 Prime rate raised from 11-1/2 percent to 12 percent.

April 9 Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.

1984 (Continued)

May 5 Prime rate raised from 12 percent to 12-1/2 percent.

June 26 Prime rate raised from 12-1/2 percent to 13 percent.

September 3 -
December 7 Hotel and restaurant strike - San Francisco.

September 15 -
October 14 UAW-General Motors strike.

September 28 Prime rate reduced from 13 percent to 12-3/4 percent.

October 16 Prime rate reduced from 12-3/4 percent to 12-1/2 percent.

October 28 Prime rate reduced from 12-1/2 percent to 12 percent.

November 7 Prime rate reduced from 12 percent to 11-3/4 percent.

November 21 Discount rate reduced from 9 percent to 8-1/2 percent.

November 28 Prime rate reduced from 11-3/4 percent to 11-1/4 percent.

December 17 Prime rate reduced from 11-1/4 percent to 10-3/4 percent.

December 24 Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1 Federal price controls removed from approximately half of the natural gas produced in the United States.

January 15 Prime rate reduced from 10-3/4 percent to 10-1/2 percent.

March 9 Home State Savings Bank Cincinnati, Ohio closed.

March 15 Seventy Ohio thrift institutions closed to prevent run on deposits.

March 25 Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.

May 2 Auto manufacturer's initiate low interest loan programs.

May 17-
June 14 United Airlines--Air Pilots Association strike.

CHRONOLOGY--Continued

1985 (Continued)

May 17 Prime rate reduced from 10-1/2 percent to 10 percent.

May 20 Dow Jones Industrials close above 1,300 for the first time.

May 29 Presidents' tax reform plan unveiled.

June 18 Prime rate reduced to 9 1/2 percent from 10 1/2 percent.

July 16 Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.

July 22-October 16 8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.

August 15 GM announces 7.7 percent financing rate program to run through October 2nd.

August 20 Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.

September 4 The Farm Credit System seeks a Federal bailout of its \$74 billion loan portfolio.

September 15 A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.

September 16 Saudi Arabia announces plans to boost oil production and cut prices.

September 22 G-5 agreement to push the dollar lower.

November 7 Dow Jones Industrials close above 1400 for the first time.

December 10 World oil prices fall by more than a dollar after OPEC decides to abandon price supports.

December 12 President Reagan signs the budget deficit bill into law, raising the debt ceiling to \$2 trillion and setting deficit targets for each year through 1991.

1985 (Continued)

December 23 President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 17 United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.

January 28 Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.

February 26 Corazon Aquino takes over Philippines as the new president.

March 3 Dow Jones Industrials close above 1700 for the first time.

March 4 Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.

Oil prices fall to \$12 per barrel.

March 7 The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.

March 21 Dow Jones Industrials close above 1800 for the first time.

Conservative Chirac appointed as Prime Minister of France.

March 25 U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.

April 1 Interest ceilings on passbook saving accounts ended.

Oil prices fall to under \$11 per barrel.

April 14 U.S. air strike against Libya.

April 21 U.S. Dollar reaches a post-WWII low against the Yen at 168.60.

Discount rate cut from 7 percent to 6-1/2 percent.

April 23 Paul Volcker warns of public and private debt buildup as a threat to the economy.

CHRONOLOGY--Continued

1986 (Continued)

April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1-June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm-Rudman-Hollings mechanism for across-the-board, automatic spending cuts was unconstitutional. The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian Employment Unemployment Unemployment rate Nonagricultural employment Manufacturing employment Hours and earnings Nonagricultural placements Initial claims for unemployment insurance Insured unemployment Index for production worker hours
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Index of leading indicators
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
Security Pacific National Bank	Housing units authorized Valuation of nonresidential construction
U.S. Department of Commerce	Retail sales
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
California Redwood Association	Lumber production
Conservation Committee of California Oil Producers	Petroleum production
American Iron and Steel Institute	Steel production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Federal Reserve Bank of San Francisco	Demand deposits Commercial and industrial loans

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

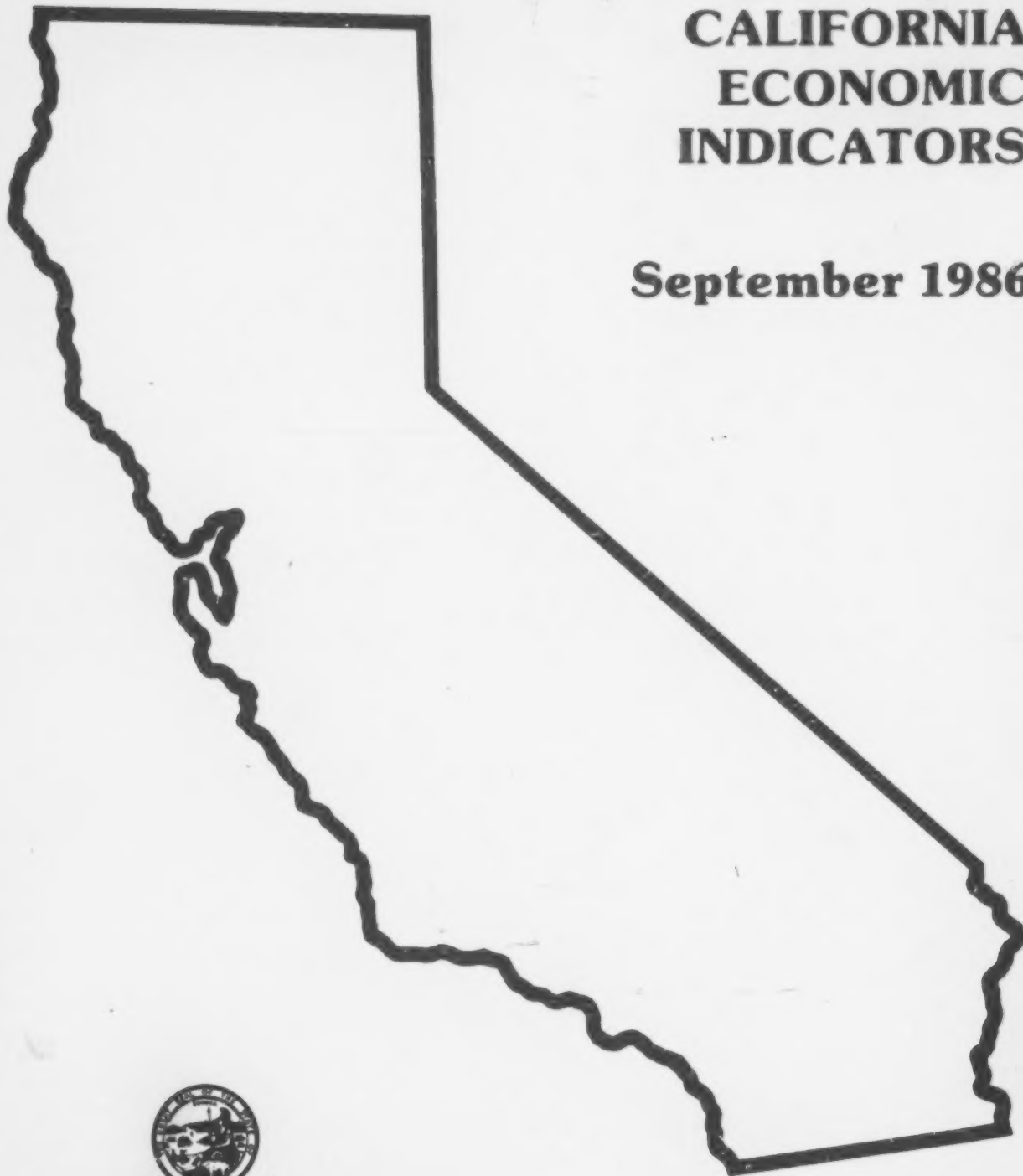
<u>Initial Trough</u>	<u>Peak</u>	<u>Terminal Trough</u>	<u>Expansion (months)</u>	<u>Contraction (months)</u>	<u>Total (months)</u>
Dec. 1854	June 1857	Dec. 1858	30	18	48
Dec. 1858	Oct. 1860	June 1861	22	8	30
June 1861	April 1865	Dec. 1867	46	32	78
Dec. 1867	June 1869	Dec. 1870	18	18	36
Dec. 1870	Oct. 1873	March 1879	34	65	99
March 1879	March 1882	May 1885	36	38	74
May 1885	March 1887	April 1888	22	13	35
April 1888	July 1890	May 1891	27	10	37
May 1891	Jan. 1893	June 1894	20	17	37
June 1894	Dec. 1895	June 1897	18	18	36
June 1897	June 1899	Dec. 1900	24	18	42
Dec. 1900	Sept. 1902	Aug. 1904	21	23	44
Aug. 1904	May 1907	June 1908	33	13	46
June 1908	Jan. 1910	Jan. 1912	19	24	43
Jan. 1912	Jan. 1913	Dec. 1914	12	23	35
Dec. 1914	Aug. 1918	March 1919	44	7	51
March 1919	Jan. 1920	July 1921	10	18	28
July 1921	May 1923	July 1924	22	14	36
July 1924	Oct. 1926	Nov. 1927	27	13	40
Nov. 1927	Aug. 1929	March 1933	21	43	64
March 1933	May 1937	June 1938	50	13	63
June 1938	Feb. 1945	Oct. 1945	80	8	88
Oct. 1945	Nov. 1948	Oct. 1949	37	11	48
Oct. 1949	July 1953	May 1954	45	10	55
May 1954	Aug. 1957	April 1958	39	8	47
April 1958	April 1960	Feb. 1961	24	10	34
Feb. 1961	Dec. 1969	Nov. 1970	106	11	117
Nov. 1970	Nov. 1973	March 1975	36	16	52
March 1975	Jan. 1980	July 1980	58	6	64
July 1980	July 1981	November 1982	12	16	28

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CALIFORNIA ECONOMIC INDICATORS

September 1986



DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Census Bureau publication Business Conditions Digest, the report contains regular features.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1974 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State economy. Much of the data in the report has been seasonally adjusted by the source agency or the Department of Finance.

Reference dates for U.S. business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the Indicators a more useful publication. Correspondence should be addressed to State of California, Department of Finance, Financial Research Unit, 1025 P Street, Sacramento, CA 95814.

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REVIEW OF ECONOMIC DEVELOPMENTS

The pace of economic activity appears to have slowed in recent months in California. To a large extent, this reflects national patterns. There are some indications, however, that a brief pause in the expansion may be in the offing.

The latest revision of statewide employment data resulted in lower estimates from January of this year on. While this may have been due to problems in the original estimating process, it could well be attributable to a more moderate rate of growth.

Even so, the employment situation remains good. The jobless rate, for instance, was at 6.6 percent for the month, compared with a national average of 6.8 percent. These figures actually mask the improvement which has been achieved. Civilian employment is still better-than-4 percent above the year-earlier level. Labor force growth continues strong, however, with a 3-1/2 percent increase from last year.

The situation for wage and salary jobs is different. There has been a pronounced slowing over the past several months. As of August, the total was 1.9 percent above last year's figure, while the national gain was at 2.4 percent. Part of this difference may be related to the fact that data for California have been revised to actual, reported job figures more recently than those for the nation.

At any rate, trends vary considerably from one sector to the next. The best growth rate is being seen in the finance-insurance-real estate sector, due to strong gains in real estate jobs. The finance component has been relatively flat. The two largest sectors--trade and services--are experiencing a slower than usual rate of growth.

The goods producing industries are reflecting many of the pressures being seen nationally. The number of mining jobs in the State is down nearly 20 percent from the 1985 level, as the oil industry adjusts to the lower price of crude. Durables manufacturing continues to ease, with cutbacks in many industries. The notable exceptions to this pattern are lumber, furniture and auto manufacturing, all of which have seen good gains this year. Nondurables are holding their own, with no clear trend developing.

The construction industry is perhaps the most difficult to evaluate. Falling interest rates have not resulted in any surge in activity. Homebuilding remains strong, with housing unit authorizations averaging a heady 278,000 so far in 1986. Mortgage rates have not come down sufficiently to stimulate additional demand. In fact, refinancings rather than new loans appear to be the primary beneficiary of rate reductions.

Information on price trends indicates a significant rise for the median single family home. Residential rent price indexes are also increasing strongly. These developments may reflect the mix of units on the market, or shortages of particular types of properties. The sales price rise may be an offset to lower mortgage rates. There may be an effort to establish a higher price base while the economy remains healthy. On balance, however, these influences will probably work to reign in homebuilding somewhat in coming months.

Nonresidential activity, in contrast, has already slowed considerably. Contract awards were running 15 percent below the year-ago level in the second quarter.

While this undoubtedly reflected uncertainties during the federal tax revision process, it also can be related directly to vacancy rates in much of the State. Surveys indicate that vacancies for office, professional and industrial structures in California remain among the highest in the nation at levels which will require a prolonged period of absorption.

Construction employment has eased from its highs registered earlier this year, and is expected to see further reductions as projects now underway are completed.

Probably the best news is on the price front. Overall inflation indexes continue to rise at a moderate rate. The California consumer price index was up 2.4 percent between August 1985 and August 1986, compared with a 1.6 percent gain in the national CPI. Residential rent and medical care are the two major components still experiencing strong increases. In fact, these account for much of the pressure being felt in the services index. Goods prices are seeing only moderate growth.

As has been noted before, aggregate indicators on activity in the states are not readily available. Those which do exist offer conflicting evidence on potential trends. Average weekly and overtime hours in manufacturing remain strong. Initial claims for unemployment insurance are edging higher, however. New business incorporations and help-wanted ads continue at high levels, even as retail sales turn somewhat sluggish.

Retail sales figures indicate slower growth than at the end of 1985. Second quarter retail sales were running 4.3 percent above last years' second quarter. Even so, California's retailers appear to be keeping up with national trends. In fact, the State's share of nationwide retail sales increased to 12.6 percent in July. New auto sales, a major part of total retail sales, are expected to show strong gains in September, as consumers responded to unprecedented low financing rates for new cars.

On balance, recent indicators can give rise to different appraisals for coming months. The outlook can be interpreted as quite strong, when overall consumer spending is the measure. The fact that debt levels are still rising rapidly in relation to income raises concerns about the longevity of the consumers' ability to support the economy.

On the other hand, the serious, and still deteriorating, net export situation is holding back potential growth in the U.S., which would be mirrored in California activity.

The short term outlook for California can best be described as one of moderate growth while the potential for 1987 remains obscured.

EMPLOYMENT
(Seasonally Adjusted)

	1986				1985	Percent Change Aug. 1985- Aug. 1986
	August	July	June	May	August	
Civilian Employment (000)	12,451	12,390	12,465	12,325	11,940	4.3
Unemployment (000)	883	940	861	879	933	-5.4
Unemployment rate	6.6	7.1	6.5	6.7	7.2	--
Nonagricultural wage and salary employment ^{a/} (000)	11,277.1	11,254.9	11,203.5	11,239.0	1,071.8	1.9
Mining	39.8	40.0	39.8	41.0	48.1	-17.3
Construction	507.1	513.2	506.0	513.7	506.0	0.2
Manufacturing	2,057.1	2,054.0	2,059.7	2,063.2	2,074.2	-0.8
Aerospace ^{b/}	n.a.	760.2	759.9	756.9	736.9	--
Transportation and Public utilities	577.3	576.6	572.0	577.9	578.6	-0.2
Trade	2,714.4	2,709.8	2,702.5	2,704.4	2,642.7	2.7
Finance, insurance and real estate	767.3	765.7	762.8	760.5	730.2	5.1
Services	2,770.1	2,759.0	2,738.7	2,746.4	2,695.0	2.8
Government	1,844.0	1,836.3	1,822.0	1,831.9	1,797.0	2.6
Federal	337.4	336.6	337.5	346.8	343.7	1.8
State & local	1,506.6	1,500.0	1,484.5	1,485.1	1,453.3	3.7

^{a/} Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

^{b/} The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.

HOURS AND EARNINGS IN MANUFACTURING

	1986				1985	Percent Change Aug. 1985- Aug. 1986
	August	July	June	May	August	
Average weekly hours	40.0	39.8	40.3	40.3	40.2	-0.5
Average weekly earnings	\$420.0	\$414.32	\$415.49	\$414.69	\$406.42	3.3
Average hourly earnings	\$10.50	\$10.41	\$10.31	\$10.29	\$10.11	3.9

TRADE
(Seasonally Adjusted)

	1986				1985	Percent Change Aug. 1985- Aug. 1986
	<u>August</u>	<u>July</u>	<u>June</u>	<u>May</u>	<u>August</u>	
Retail sales (millions)	n.a.	\$14,992	\$14,480	\$14,880	\$14,473	--
New auto registrations (number)	107,076	123,537	109,564	114,342	112,322	-4.7

n.a. Not available.

CONSUMER PRICE INDEX
(1967 = 100)

	1986				1985	Percent Change Aug. 1985- Aug. 1986
	<u>August</u>	<u>July</u>	<u>June</u>	<u>May</u>	<u>August</u>	
All Urban Series						
California Average	339.8	--	339.8	--	331.8	2.4
San Francisco	345.5	--	344.0	--	335.8	2.9
Los Angeles	330.9	330.9	331.3	329.4	323.9	2.2
San Diego	--	383.1	--	382.8	--	--
Wage Earner and Clerical Worker Series						
California Average	329.1	--	329.7	--	322.8	2.0
San Francisco	339.0	--	338.1	--	335.8	1.0
Los Angeles	323.5	323.8	324.5	322.7	323.9	-0.1
San Diego	--	345.0	--	345.2	--	--

PRODUCTION

	1986				1985
	<u>July</u>	<u>June</u>	<u>May</u>	<u>April</u>	<u>July</u>
Petroleum (000 barrels daily)	n.a.	n.a.	1,133.5	1,141.1	1,150.3
Portland cement (000 short tones)	894.4	880.2	851.0	894.2	840.8
Selected redwood mill production (mil. FBM)	75.3	69.9	64.9	77.3	64.5

n.a. Not available

CONSTRUCTION

	1986				1985	Percent Change July 1985- July 1986
	<u>July</u>	<u>June</u>	<u>May</u>	<u>April</u>	<u>July</u>	
Private Residential Housing Units Authorized (000) ^{a/}	279.2	256.7	269.9	304.8	245.9	13.5
Single Units	149.9	142.9	130.3	133.0	107.7	39.2
Multiple Units	129.3	113.8	139.6	171.8	138.2	-6.4
Residential Building Authorized Valuation (millions) ^{b/}	\$1,459	\$1,710	\$1,649	\$1,736	\$1,442	1.2
Nonresidential Building Authorized Valuation (millions) ^{b/}	\$1,173	\$1,042	\$966	\$822	\$1,123	4.5
Nonresidential Building Authorized Valuation (millions) ^{c/}	\$1,152	\$1,214	\$970	\$977	\$1,112	3.6
Commercial	\$502	\$491	\$369	\$385	\$525	-4.4
Industrial	\$175	\$187	\$169	\$174	\$160	-9.4
Other	\$165	\$172	\$162	\$149	\$158	4.4
Alterations & Additions	\$310	\$365	\$270	\$268	\$270	14.8

^{a/} Seasonally adjusted annual rate.

^{b/} Seasonally adjusted.

^{c/} Not adjusted for seasonal variation.

VACANCY RATES FOR JUNE 1986 (Percent)

	Commercial			Industrial
	<u>Total</u>	<u>Downtown</u>	<u>Suburban</u>	
Northern & Central California				15.0
Oakland - East Bay	25.2	19.3	27.4	
Sacramento	25.2	13.6	29.0	
San Francisco	18.5	16.2	22.0	
San Jose	25.4	21.7	26.2	
Southern California				18.5
Los Angeles	16.8	15.9	17.1	
Orange County	20.1	n.a.	n.a.	
San Diego	24.3	19.2	27.9	
National Average	21.1	16.8	23.3	16.0

CALIFORNIA PERSONAL INCOME REVISIONS

The U.S. Bureau of Economic Analysis recently completed a major benchmark of personal income back to 1969 for California. National figures were previously released in December 1985. The two series are now on a comparable basis. California total personal income edged up from 12.3 to 12.6 percent of the national total for 1984.

The most dramatic change in California personal income was in the proprietors' income component. For example, total proprietors' income for 1984 was more than doubled. Farm proprietors' saw a 143 percent upward revision. This increase is due in large part to adjustments for under reporting of business income, including cases where tax returns are simply not filed. Improved estimates of loan defaults also raised the level of business income by adding the value of the debt. These increases are fractionally offset by the elimination of the part of partnership income attributable to corporate partners.

The impact of these revisions on farm and nonfarm proprietor's income in California is compared to the revision of national data in the following tables. The disparity for nonfarm proprietors', in particular, raises some interesting questions about the relative size of the underground economy in California.

NONFARM PROPRIETORS' INCOME (Percent Change from Prior Level)

	California	U.S.
1969	26.7	23.2
1973	48.9	39.9
1975	65.5	52.8
1979	76.4	61.2
1982	137.2	69.2
1984	142.7	62.7

FARM PROPRIETORS' INCOME (Percent Change from Prior Level)

	California	U.S.
1969	no change	no change
1973	-0.7	-1.3
1975	2.8	0.8
1979	25.9	0.6
1982	48.4	10.4
1984	67.9	-2.1

The rent component of property income also changed significantly. Prior to 1975, rental income strengthened 20 to 28 percent, whereas from 1975 on, the data were adjusted downward 55 to 65 percent. For example, the 1980 level fell from \$6.5 billion to \$2.2 billion.

The movement of the rental series has been erratic in the past, making estimates difficult on a current basis. The revision has eliminated the growth pattern in the previous series. What is of concern, again, is an accurate estimate of the current period. Rental income is going up strongly on a national basis, a development which appears radically different from the past decade. It must be assumed that California will reflect this gain. It may be questioned whether the latest data exhibits an actual reversal in the trend or if the series will revert to the level of the past decade in coming years. Given these varied aspects, the rental component should be used with caution.

Rental housing classes and average rent charged in each class are determined by the decennial census. The current revision shows negative imputed rents beginning in the 1970s, whereas all earlier imputed rent data were positive. The differences are substantial and have caused the swing in the series. Half of the decline is due to a

reduction in gross space rental value and the other half to increased expenses. Net rental income is the difference between the two.

RENT
(Percent Change from Prior Level)

	California	U.S.
1969	20.9	-6.1
1973	26.8	-20.5
1975	-13.3	-41.2
1979	-64.6	-79.8
1982	-67.0	-77.4
1984	-72.8	-86.7

The other two components of property income, dividends and interest, saw no significant change.

Other labor income was revised up in the range of 3 to 7.5 percent over the years. Beginning in 1973, other labor income was modified to incorporate a revised series on employer contributions for health insurance. The revised series more accurately reflects the accounting of premiums paid by employers.

Wages and salaries are always more easily tied to actual recorded data and, as was the case with the U.S. revision, the changes are modest. The slight upward revision in wages and salaries ranged between 0.8 and 1.4 percent over the 17-year period.

On balance, income growth rates were not significantly changed for most years. The first half of the 1970s saw a moderate increase, while the years from 1977 through 1982 were slightly lower.

PERSONAL INCOME, CALIFORNIA
(Percent change year over year)

	Prior Series	Revised Series
1970	7.0	7.5
1971	5.9	6.2
1972	8.9	9.3
1973	10.1	10.4
1974	11.7	11.8
1975	10.1	9.9
1976	11.3	12.0
1977	12.0	11.6
1978	15.1	14.8
1979	14.4	13.9
1980	13.2	13.0
1981	11.9	11.8
1982	6.5	6.4
1983	7.1	7.9
1984	11.0	10.4

The substantial upward revision in income (\$19.7 billion in 1984, for example), has been reflected in a higher per capita income level. For 1985 it is now estimated that per capita income stood at \$16,065. This was 16 percent above the national average, and placed California sixth in the Nation, behind Alaska, the District of Columbia, Connecticut, New Jersey and Massachusetts.

The Department of Finance has revised quarterly estimates to correspond to the newly benchmarked income series. The U.S. Bureau of Economic Analysis has no plans at present to revise personal income data prior to 1969. If the BEA does release revisions for earlier years, however, the Department of Finance will re-estimate quarterly income data also. The following table presents the impact of data revisions for two years, 1978 and 1984, as an example.

CALIFORNIA PERSONAL INCOME
REVISION EXAMPLES
(In millions of dollars)

	1978 Previous Level	1978 Revised Level	Change	% Change	1984 Previous Level	1984 Revised Level	Change	% Change
EARNINGS	\$152,689	\$164,531	\$11,342	7.4	\$265,539	\$286,514	\$20,975	7.9
Farm	3,980	3,771	-209	-5.3	5,351	5,610	259	4.8
Mining	843	1,095	252	29.9	1,915	2,527	612	32.0
Construction	9,141	11,081	1,940	21.2	13,678	18,437	4,759	34.8
Manufacturing	32,859	33,158	299	.9	58,470	58,308	-162	-.3
TCU	11,061	11,523	462	4.2	18,373	19,071	698	3.8
Trade	26,075	28,390	2,315	8.9	43,873	46,839	2,966	6.8
Finance, Ins., R.E.	9,760	11,454	1,694	17.4	17,322	18,285	963	5.6
Services	29,914	34,018	4,104	13.7	60,755	70,773	10,018	16.5
Government	27,907	28,073	166	.6	43,844	44,347	503	1.1
Other Industries	1,148	1,468	320	27.9	1,959	2,317	358	18.3
WAGES AND SALARIES	127,421	128,617	1,196	.9	227,417	229,870	2,453	1.1
Farm	1,871	1,306	-565	-30.2	2,831	1,609	-1,222	-43.2
Mining	764	770	6	.8	1,704	1,717	13	.8
Construction	7,060	7,289	229	3.2	11,068	11,435	367	3.3
Manufacturing	28,165	28,245	80	.3	49,904	50,035	131	.3
TCU	9,117	9,162	45	.5	14,921	15,081	160	1.1
Trade	22,232	22,636	404	1.8	38,597	39,248	651	1.7
Finance, Ins., R.E.	7,501	7,616	115	1.5	15,903	16,071	168	1.1
Services	22,686	23,476	790	3.5	48,714	50,717	2,003	4.1
Government	27,184	27,206	22	.1	42,205	42,223	18	—
Other Industries	841	912	71	8.4	1,571	1,735	164	10.4
OTHER LABOR INCOME	11,347	12,150	803	7.1	23,704	23,341	-363	-1.5
PROPRIETORS' INCOME	13,922	23,264	9,342	67.1	14,417	33,303	18,886	131.0
Farm	1,919	2,318	399	20.8	2,259	3,793	1,534	67.9
Nonfarm	12,002	20,947	8,945	74.5	12,159	29,510	17,351	142.7
PROPERTY INCOME	32,169	29,596	-2,573	-8.0	74,326	67,538	-6,788	-9.1
Dividends	5,198	4,917	-281	-5.4	9,339	9,151	-188	-2.0
Interest	21,884	22,498	614	2.8	54,208	55,458	1,250	2.3
Rent	5,087	2,182	-2,905	-57.1	10,778	2,929	-7,849	-72.8
TRANSFER PAYMENTS	25,881	28,888	3,007	11.6	48,059	52,438	4,379	9.1
LESS: CONTRIBUTIONS FOR SOCIAL INSURANCE	8,444	8,092	-352	-4.2	16,837	15,689	-1,148	-6.8
RESIDENCE ADJUSTMENT	20	-1	-21	-105.0	116	107	-9	-7.8
TOTAL PERSONAL INCOME	202,295	214,423	12,128	6.0	371,202	390,909	19,707	5.3

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census, Technical Paper No. 15, The X-11 Variant of the Census Method II. Seasonal Adjustment Program (November 1965).

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's publication, Business Cycle

Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hours series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

Manufacturing Employment

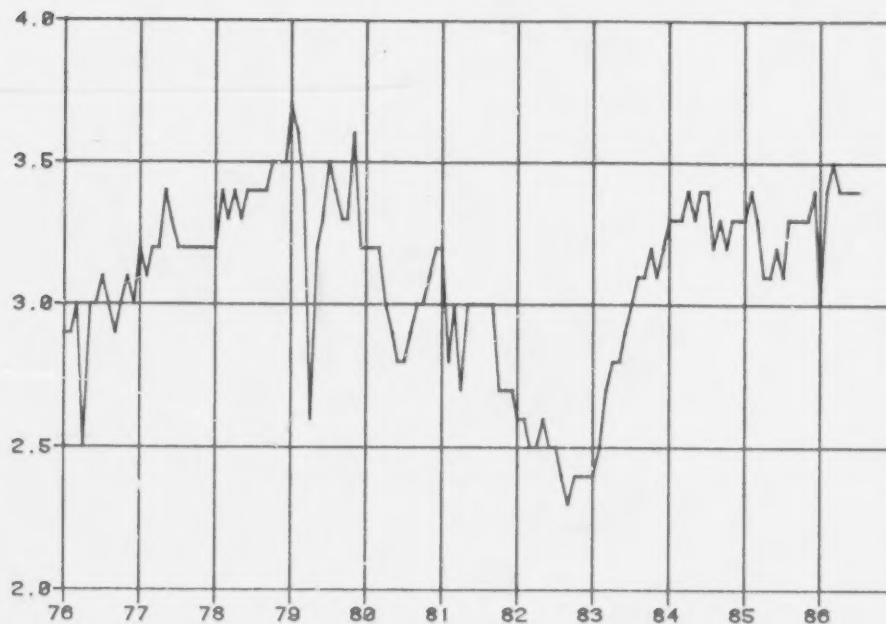
This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable Sales

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

AVERAGE OVERTIME HOURS, MANUFACTURING (Seasonally Adjusted)



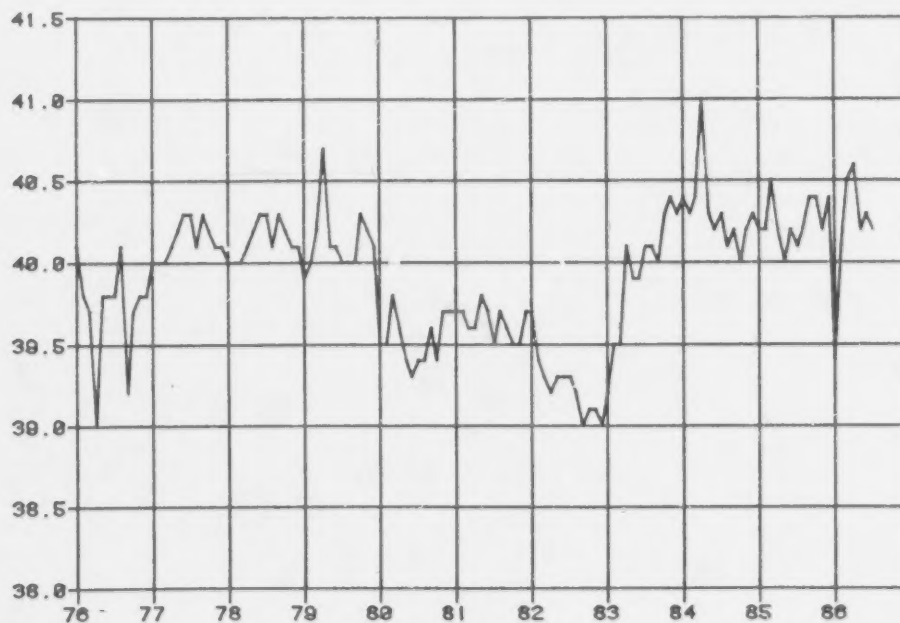
1985

Apr	138.9
May	137.8
Jun	138.6
Jul	138.9
Aug	140.3
Sep	139.5
Oct	142.2
Nov	141.8
Dec	142.0

1986

Jan	3.0
Feb	3.4
Mar	3.5
Apr	3.4
May	3.4
Jun	3.4
Jul	3.4

AVERAGE WEEKLY HOURS, MANUFACTURING (Seasonally Adjusted)



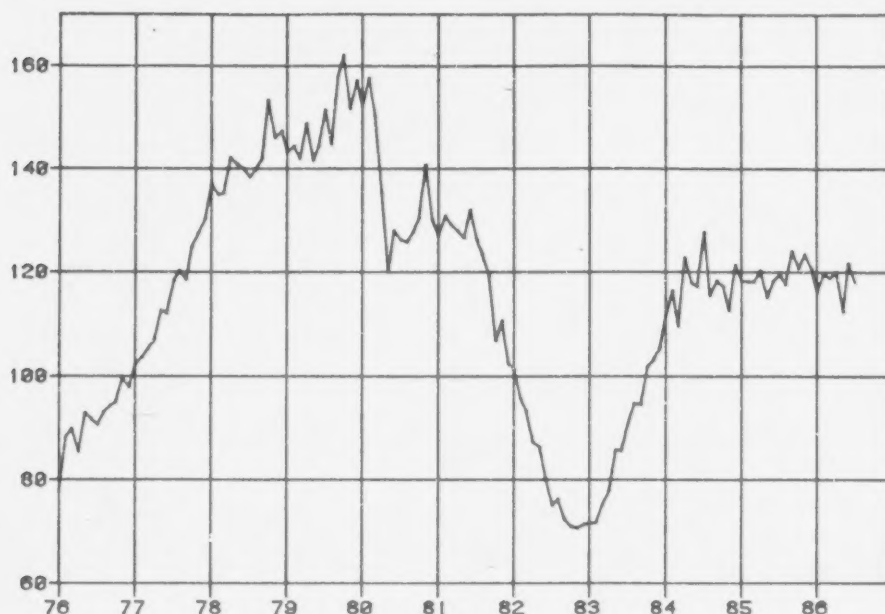
1985

Apr	40.2
May	40.0
Jun	40.2
Jul	40.1
Aug	40.2
Sep	40.4
Oct	40.4
Nov	40.2
Dec	40.4

1986

Jan	39.4
Feb	40.1
Mar	40.5
Apr	40.6
May	40.2
Jun	40.3
Jul	40.2

HELP WANTED ADS, LOS ANGELES (Thousands, Seasonally Adjusted)



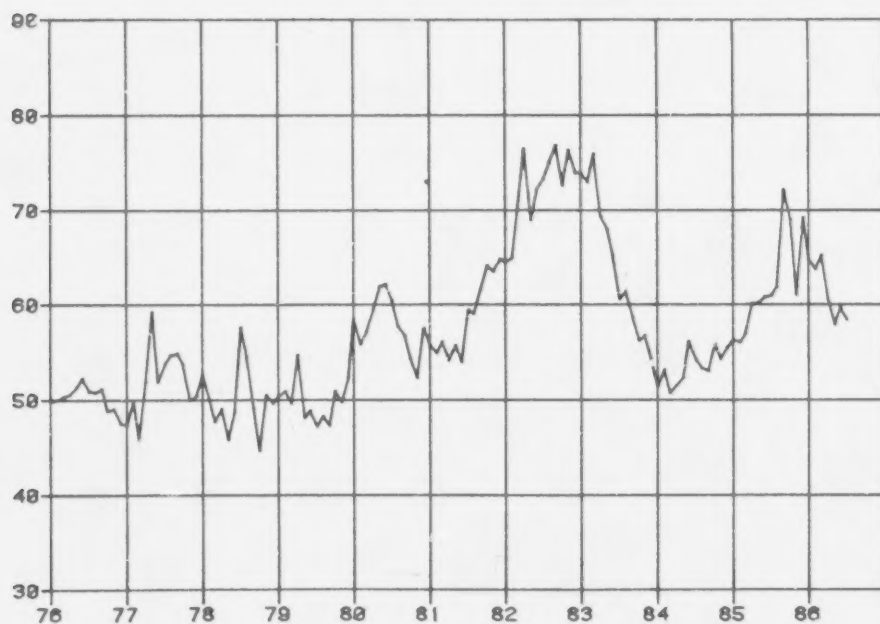
1985

Apr	120.3
May	115.1
Jun	118.3
Jul	119.7
Aug	117.7
Sep	123.9
Oct	120.8
Nov	123.5
Dec	120.6

1986

Jan	116.1
Feb	120.0
Mar	118.7
Apr	120.1
May	112.3
Jun	121.7
Jul	117.9

INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE (Weekly Average in Thousands, Seasonally Adjusted)



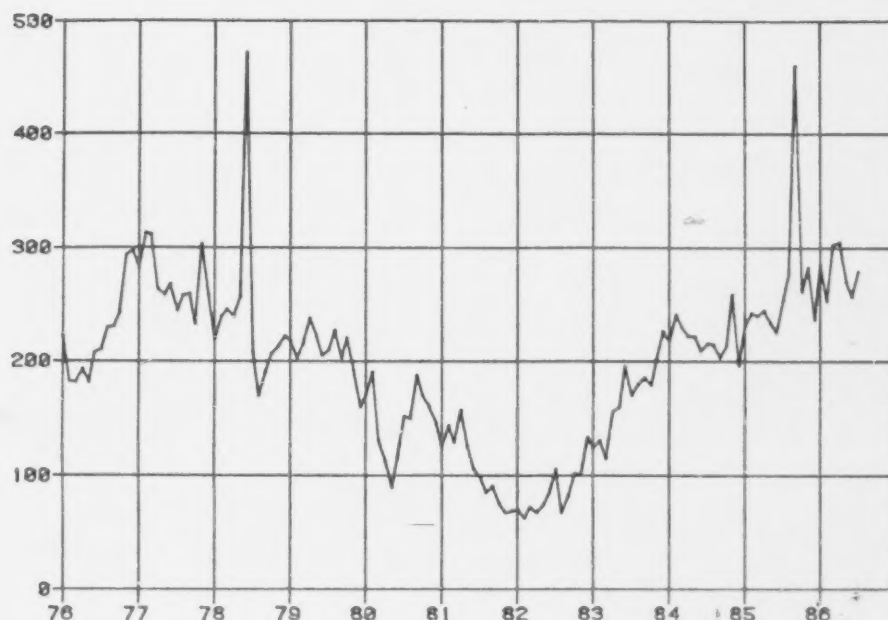
1985

Apr	60.1
May	60.3
Jun	60.8
Jul	61.1
Aug	61.9
Sep	72.1
Oct	68.9
Nov	61.1
Dec	69.2

1986

Jan	64.8
Feb	63.7
Mar	65.2
Apr	60.6
May	57.9
Jun	59.7
Jul	58.4

PRIVATE HOUSING UNITS AUTHORIZED
(Seasonally Adjusted Annual Rate, in Thousands)



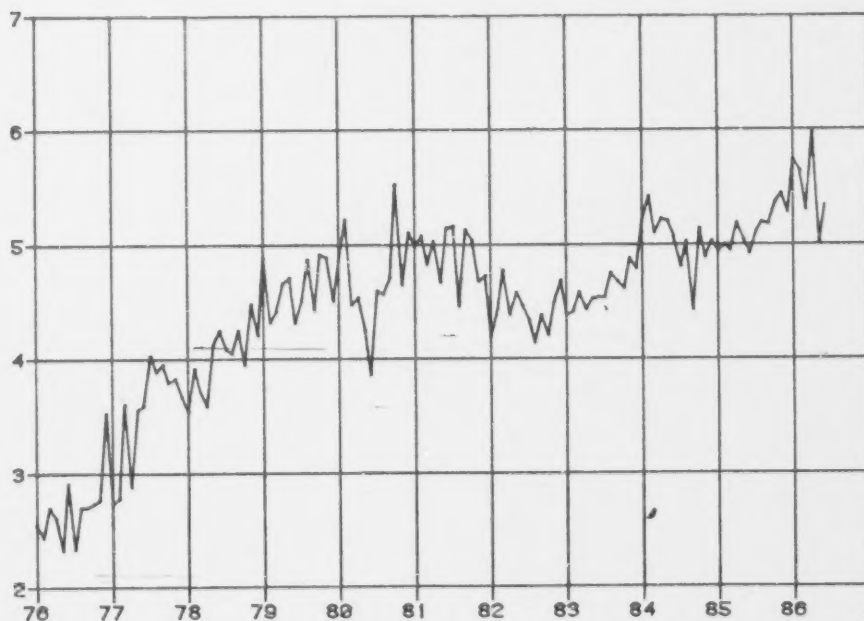
1985

Jan	241.0
Feb	242.2
Mar	254.0
Apr	249.5
May	224.1
Jun	210.3
Jul	242.0
Aug	275.6
Sep	455.6
Oct	244.7
Nov	245.7
Dec	219.6

1986

Jan	279.0
Feb	252.5
Mar	302.2

NEW BUSINESS INCORPORATIONS
(Thousands, Seasonally Adjusted)



1985

Apr	5,184
May	5,037
Jun	4,914
Jul	5,109
Aug	5,195
Sep	5,176
Oct	5,366
Nov	5,446
Dec	5,277

1986

Jan	5,740
Feb	5,642
Mar	5,302
Apr	5,981
May	5,007
Jun	5,338
Jul	5,563

CALIFORNIA INDEX OF LEADING INDICATORS (1972 = 100)



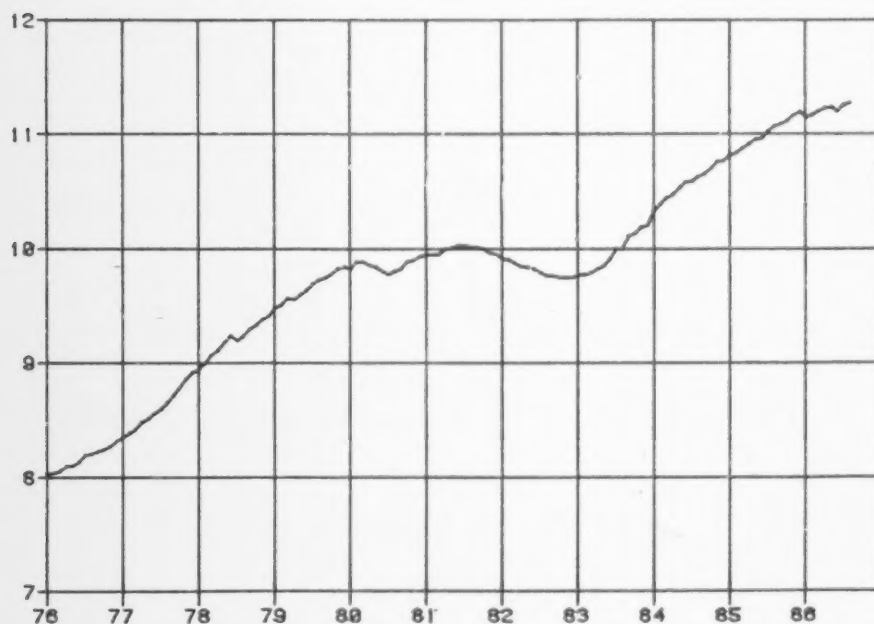
1985

Apr	138.9
May	138.0
Jun	138.9
Jul	139.1
Aug	139.0
Sep	140.0
Oct	139.7
Nov	142.2
Dec	141.8

1986

Jan	139.0
Feb	142.0
Mar	143.6
Apr	144.3
May	142.6
Jun	143.8
Jul	143.7

NONAGRICULTURAL EMPLOYMENT (Millions, Seasonally Adjusted)



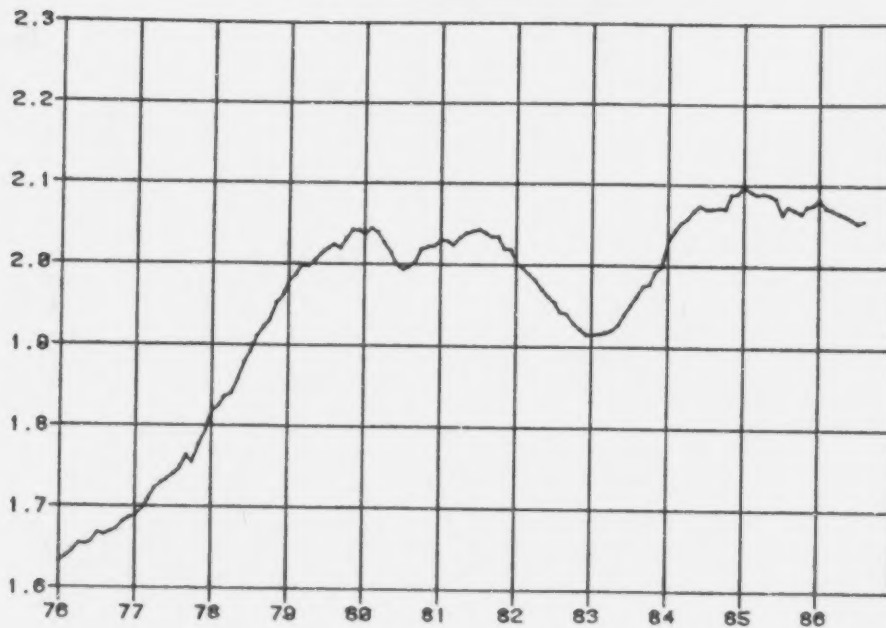
1985 (Thousands)

Apr	10,915
May	10,957
Jun	10,962
Jul	11,029
Aug	11,072
Sep	11,092
Oct	11,117
Nov	11,166
Dec	11,202

1986

Jan	11,149
Feb	11,170
Mar	11,204
Apr	11,231
May	11,239
Jun	11,204
Jul	11,255
Aug	11,277

MANUFACTURING EMPLOYMENT
(Millions, Seasonally Adjusted)



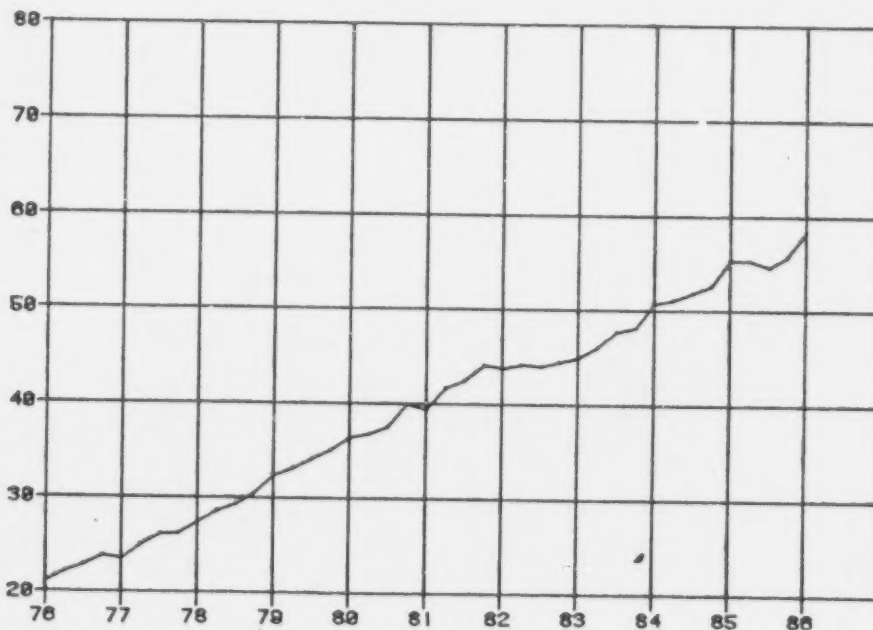
1985 (Thousands)

Apr	2,090
May	2,088
Jun	2,085
Jul	2,064
Aug	2,074
Sep	2,070
Oct	2,065
Nov	2,074
Dec	2,076

1986

Jan	2,083
Feb	2,074
Mar	2,070
Apr	2,066
May	2,063
Jun	2,060
Jul	2,054
Aug	2,057

**WAGES & SALARIES FROM
MINING, CONSTRUCTION & MANUFACTURING**
(Billion \$, Seasonally Adjusted)



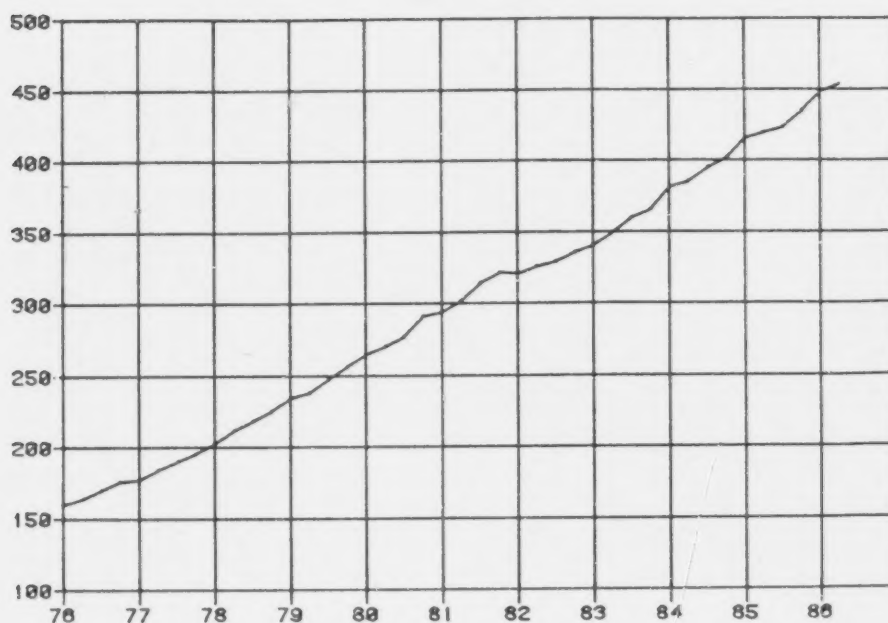
1985 (Million \$)

Qtr I	67,608
Qtr II	68,157
Qtr III	68,016
Qtr IV	69,950

1986

Qtr I	70,896
Qtr II	70,575

PERSONAL INCOME
(Billion \$, Seasonally Adjusted)



1985 (Million \$)

Qtr I 416,008

Qtr II 419,834

Qtr III 423,514

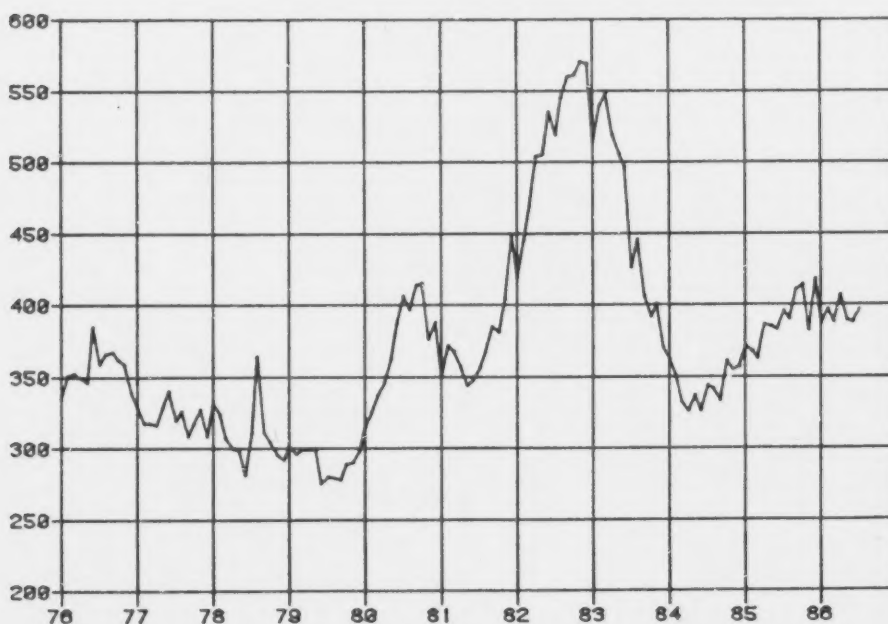
Qtr IV 434,910

1986

Qtr I 448,383

Qtr II 453,805

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)



1985

Apr 386

May 385

Jun 383

Jul 396

Aug 390

Sep 411

Oct 414

Nov 382

Dec 418

1986

Jan 387

Feb 397

Mar 388

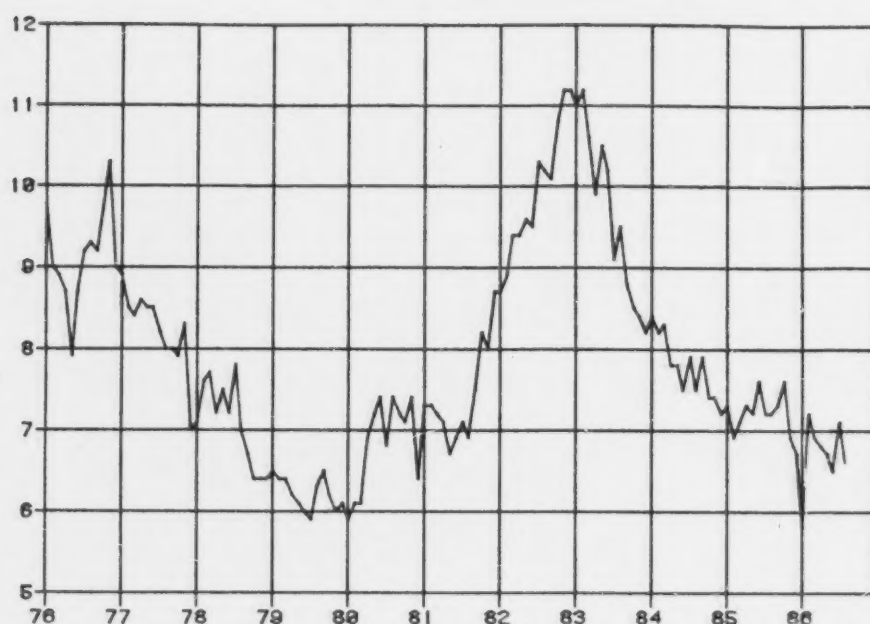
Apr 407

May 388

Jun 388

Jul 397

UNEMPLOYMENT RATE (Percent)



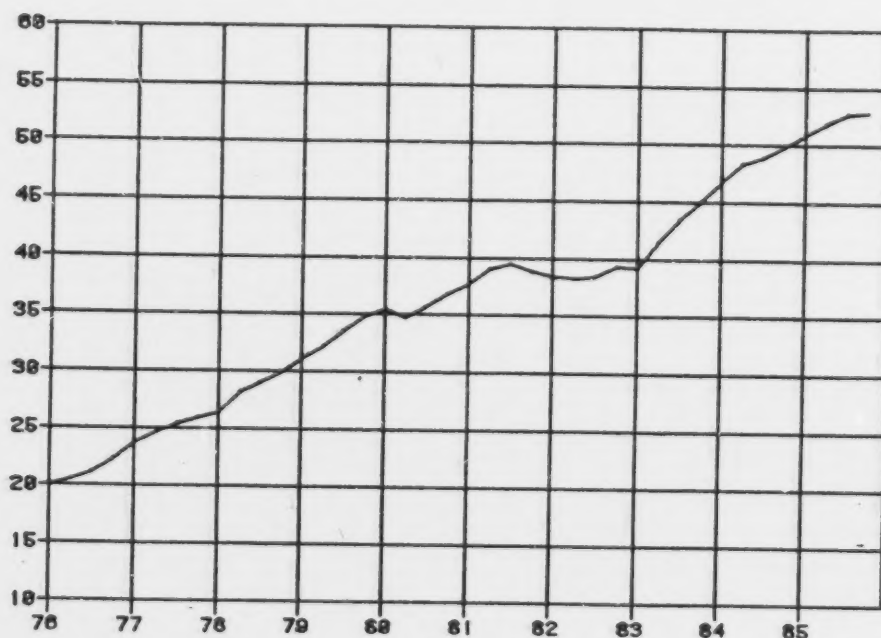
1985

Apr	7.3
May	7.3
Jun	7.3
Jul	7.3
Aug	7.1
Sep	7.1
Oct	7.1
Nov	7.0
Dec	6.9

1986

Jan	6.7
Feb	7.3
Mar	7.2
Apr	7.1
May	7.3
Jun	7.1

TAXABLE SALES (Billion \$, Seasonally Adjusted)



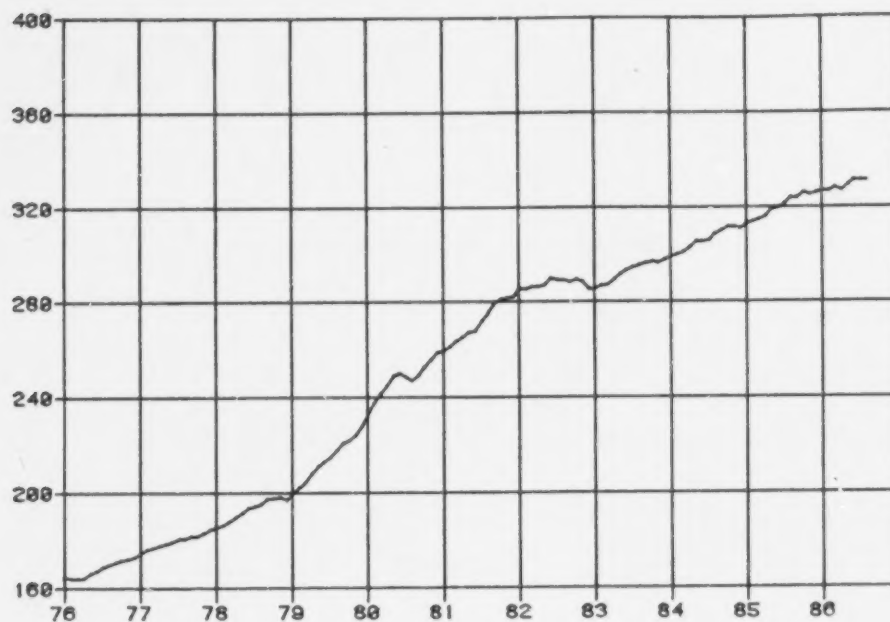
1985 (Million \$)

Qtr I	50,926
Qtr II	51,888
Qtr III	52,707
Qtr IV	52,950

1986

Qtr I	52,553
Qtr II	53,574

CONSUMER PRICE INDEX, LOS ANGELES ^{a/}
(1967 = 100)



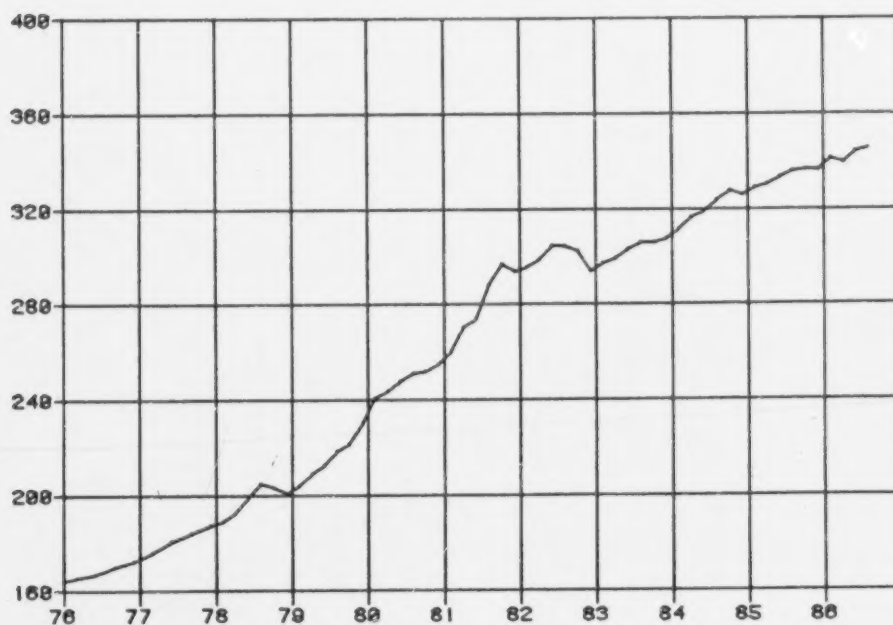
1985

Apr	315.9
May	319.1
Jun	319.3
Jul	321.3
Aug	323.9
Sep	323.8
Oct	366.1
Nov	325.0
Dec	326.1

1986

Jan	326.8
Feb	326.6
Mar	328.2
Apr	326.8
May	329.4
Jun	331.3
Jul	330.9
Aug	330.9

CONSUMER PRICE INDEX, SAN FRANCISCO ^{a/}
(1967 = 100)



1985

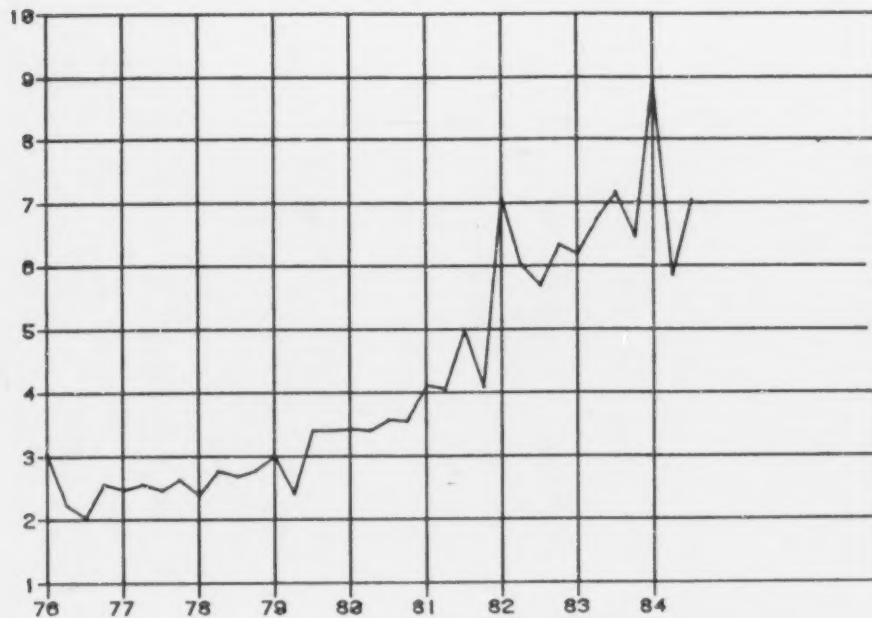
Apr	330.4
May	--
Jun	333.2
Jul	--
Aug	335.8
Sep	--
Oct	336.7
Nov	--
Dec	336.4

1986

Jan	--
Feb	341.1
Mar	--
Apr	339.3
May	--
Jun	344.0
Jul	--
Aug	345.5

^{a/} All Urban Series.

DOD PRIME CONTRACTS (Billion \$)



1983 (Million \$)

Qtr I 6,173

Qtr II 6,740

Qtr III 7,157

Qtr IV 6,462

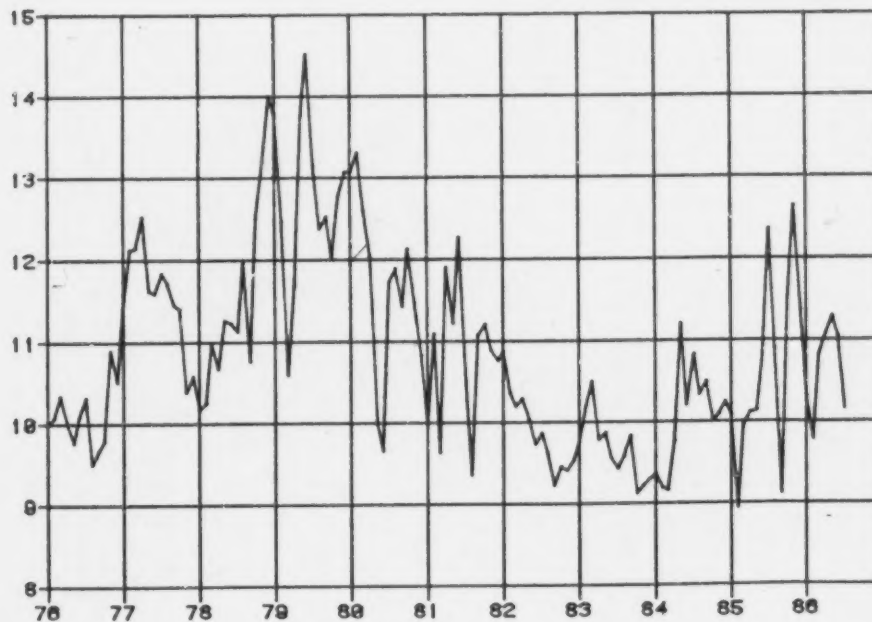
1984

Qtr I 8,930

Qtr II 5,843

Qtr III 7,045

ELECTRICITY PRODUCTION (Billion Kwh)



1985 (Million Kwh)

Jan 10,074

Feb 8,936

Mar 9,949

Apr 10,111

May 10,133

Jun 10,819

Jul 12,356

Aug 10,890

Sep 9,115

Oct 11,539

Nov 12,639

Dec 11,363

1986

Jan 10,302

Feb 9,783

Mar 10,830

Apr 11,069

May 11,275

Jun 11,036

Jul 10,149

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

<u>1980</u>		<u>1980--Continued</u>	
February 25	Prime rate raised to 16-1/2 percent.	April 28	FHA mortgages reduced to 13 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.		Prime rate reduced to 18-1/2 percent.
February 29	Prime rate raised to 16-3/4 percent.	May 5	Prime rate reduced to 18 percent.
March 4	Prime rate raised to 17-1/4 percent.	May 7	Prime rate reduced to 17 percent.
March 7	Prime rate raised to 17-3/4 percent.	May 8	Discount rate surcharge reimposed.
March 13	Prime rate raised to 18-1/4 percent.	May 12	Prime rate reduced to 16-1/2 percent.
March 14	Announcement of tighter fiscal policies.	May 19	Prime rate reduced to 16 percent.
March 17	Three percent discount rate surcharge imposed.	May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
March 18	Prime rate raised to 19 percent.	June 25	Carpenters strike in Northern California ended.
April 2	Prime rate raised to 20 percent.	July 3	ICC begins trucking industry deregulation.
April 3	FHA mortgages raised to 14 percent.	July 21- October 23	Motion picture and television industry strike.
April 20	Prime rate reduced to 19-1/2 percent.		

CHRONOLOGY--Continued

1980--Continued

July 22 Prime rate reduced to 11 percent.

July 25 Prime rate reduced to 10-3/4 percent.

July 28 Discount rate reduced to 10 percent.

August 5 Prime rate raised to 11 percent.

August 27 Prime rate raised to 11-1/2 percent.

September 5 FHA mortgage interest rate raised from 11-1/2 to 12 percent.

September 12 California mortgage rate raised from 13-1/2 percent to 13-3/4 percent.

September 25 Pacific Southwest Airlines (PSA) pilots strike begins.

September 26 Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.

October 2 Prime raised from 13 to 13-1/2 percent.

October 3 Prime raised to 14 percent.

October 15 AFTA workers return to work.

October 30 Prime raised from 14 to 14-1/2 percent.

November 7 Prime raised from 14-1/2 to 15-1/2 percent.

November 14 PSA pilots strike ends.

1980--Continued

November 17 Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.

November 21 Prime raised to 17 percent.

November 28 Prime raised to 17-3/4 percent.

December 3 Prime raised from 17-3/4 to 18-1/2 percent.

December 5 Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.

December 11 Prime raised to 20 percent.

December 17 Prime raised from 20 to 21 percent.

December 23 Prime lowered from 21 to 20-1/2 percent.

1981

January 1 Minimum wage raised from \$3.10 to \$3.35.

January 6 Prime lowered to 20 percent.

January 20 American hostages released from Iran.

January 20 Ronald Reagan inaugurated as 40th President of the U.S.

January 28 Deregulation of oil and gas industry announced, effective immediately.

January 29 Prime rate lowered to 19-1/2 percent from 20 percent.

CHRONOLOGY--Continued

1981--Continued

1981--Continued

February 16 General Motors and Ford rebate plans announced.

February 23 Prime rate lowered to 18 percent.

March 2 Prime rate lowered to 18-1/2 percent.

March 10 Prime rate lowered to 18 percent.

March 16 Prime rate lowered to 17-1/2 percent.

March 18 Prime rate lowered to 17 percent.

March 26-
June 8 United mine workers strike.

April 13 Prime rate raised to 17-1/2 percent.

April 29 Prime rate raised to 18 percent.

May 4 Prime rate raised to 19 percent.

May 5 Discount rate raised from 13 percent to 14 percent.

May 8 FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.

May 11 Prime rate raised to 19-1/2 percent.

May 22 Prime rate raised to 20 percent.

May 27 OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.

June 5 Dollar reaches highest level in international trading since December 1971.

July 8 Prime rate raised to 20-1/2 percent.

August 3
Jan. 17, 1986 Professional Air Traffic Controller's Organization strike.

August 14 President Reagan signs both the tax- and budget-cut bills into law.

August 18 FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.

September 1 Prime rate lowered to 20 percent.

September 21 Prime rate lowered to 19-1/2 percent.

September 22 Fed surcharge cut to 3 percent from 4 percent.

October Introduction of All Savers Certificates to stimulate savings.

October 6 Prime rate lowered to 19 percent.

Egyptian President Sadat assassinated.

October 13 Prime rate lowered to 18 percent.

October 30 OPEC price set at \$34.00/barrel--the Saudi benchmark.

November 1 Passbook interest rate raised 1/2 percent to 5-3/4 percent.

CHRONOLOGY--Continued

1981--Continued

November 2 Fed discount rate cut from 14 percent to 13 percent.
Prime rate lowered to 17-1/2 percent.

November 10 Prime rate lowered to 17 percent.

November 13 Prime rate lowered to 16-1/2 percent.
FHA mortgage rate lowered to 15-1/2 percent.

November 16 Prime rate lowered to 16 percent.

November 17 Fed eliminates 2 percent surcharge. Discount rate unaffected.

December 1 Prime rate lowered to 15-1/2 percent.

December 4 Fed discount rate lowered from 13 percent to 12 percent.

December 12 Martial law imposed in Poland.

1982

January 22 Federal funds rate raised to 13-1/2 percent.

January 25 FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.

January 27 Federal funds rate raised to 13-3/4 percent.

1982--Continued

February 2 Prime rate raised to 16-1/2 percent by Citibank and Crocker.

February 18 Prime rate increased to 17 percent.

February 24 Prime rate cut back to 16-1/2 percent.

March 1 Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.

March 8 Prime rate lowered to 16 percent.

March 16 Prime rate back up to 16-1/2 percent.

April 1 OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at \$34/barrels.

April 5 Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.

April 12 General Motor and United Auto Workers labor agreement approved.

April 26 The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.

May 7 U.S. unemployment rate reaches 9.4 percent for a post-WW II record.

CHRONOLOGY--Continued

1982--Continued

May 13 Braniff Air Lines ceases operation.

June 25 Secretary of State Alexander Haig resigns.

June 28 U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.

July 20 Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.

July 27 Prime rate lowered to 15-1/2 percent.

August 2 Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.

August 9 Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.

August 16 Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.

August 18 Dow Jones Industrial Average rose 38.81 points--an all-time record.

August 19 The stock market trading soared to a record 132,690,000 shares.

August 27 Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

1982--Continued

November 23 Prime rate lowered from 12 percent to 11-1/2 percent.

December 13 Discount rate cut to 8-1/2 percent.

December 14 Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5 Super NOW accounts introduced.

January 11 Prime rate lowered to 11 percent.

January 31 Independent truckers strike begins.

February 10 Independent truckers strike end.

February 15 Toyota/GM agreement to build a small car in late 1984.

February 25 Prime rate lowered to 10-1/2 percent.

March 14 OPEC sets \$29 per barrel benchmark price and production quota of 17.5 million barrels.

May 2 A 6.5 magnitude earthquake strikes the town of Coalinga.

An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.

June 8 The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.

June 18 Paul Volcker reappointed as Federal Reserve Board Chairman.

CHRONOLOGY—Continued

1983--Continued

June 24 The Federal Budget deficit totalled a record \$29.29 billion in May.

July 7 The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.

July 13 Chrysler Corporation announced it will repay the remaining \$800 million in federally guaranteed loans by September, seven years before they are due.

July 25 The Washington Public Power Supply System defaulted on \$2.25 billion in bonds, creating the largest municipal default in U.S. history.

August 1 California's \$1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling \$700 million, maturing next April and June, were oversubscribed.

August 2 The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.

August 7-
August 28 The Communications Workers of America and two other unions strike AT&T.

August 8 Prime rate raised from 10-1/2 percent to 11 percent by most major banks.

1983--Continued

August 23 The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.

September 1 Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.

November 1 Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.

November 3-
December 21 Strike against Greyhound Lines Inc.

December 1 FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3 Breakup of AT&T becomes effective.

February 2 Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.

March 19 Prime rate raised from 11 percent to 11-1/2 percent.

March 20 Maximum rate on VA loans raised from 12-1/2 to 13 percent.

April 4 Prime rate raised from 11-1/2 percent to 12 percent.

April 9 Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.

May 5 Prime rate raised from 12 percent to 12-1/2 percent.

CHRONOLOGY--Continued

1984--Continued

June 26 Prime rate raised from 12-1/2 percent to 13 percent.

September 3 - Hotel and restaurant strike - San Francisco.
December 7

September 15 - UAW-General Motors strike.
October 14

September 28 Prime rate reduced from 13 percent to 12-3/4 percent.

October 16 Prime rate reduced from 12-3/4 percent to 12-1/2 percent.

October 28 Prime rate reduced from 12-1/2 percent to 12 percent.

November 7 Prime rate reduced from 12 percent to 11-3/4 percent.

November 21 Discount rate reduced from 9 percent to 8-1/2 percent.

November 28 Prime rate reduced from 11-3/4 percent to 11-1/4 percent.

December 17 Prime rate reduced from 11-1/4 percent to 10-3/4 percent.

December 24 Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1 Federal price controls removed from approximately half of the natural gas produced in the United States.

1985 Continued

January 15 Prime rate reduced from 10-3/4 percent to 10-1/2 percent.

March 9 Home State Savings Bank Cincinnati, Ohio closed.

March 15 Seventy Ohio thrift institutions closed to prevent run on deposits.

March 25 Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.

May 2 Auto manufacturer's initiate low interest loan programs.

May 17- June 14 United Airlines--Air Pilots Association strike.

May 17 Prime rate reduced from 10-1/2 percent to 10 percent.

May 20 Dow Jones Industrials close above 1,300 for the first time.

May 29 Presidents' tax reform plan unveiled.

June 18 Prime rate reduced to 9 1/2 percent from 10 1/2 percent.

July 16 Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.

July 22- October 16 8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.

August 15 GM announces 7.7 percent financing rate program to run through October 2nd.

CHRONOLOGY--Continued

1985--Continued

August 20 Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.

September 4 The Farm Credit System seeks a Federal bailout of its \$74 billion loan portfolio.

September 15 A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.

September 16 Saudi Arabia announces plans to boost oil production and cut prices.

September 22 G-5 agreement to push the dollar lower.

November 7 Dow Jones Industrials close above 1400 for the first time.

December 10 World oil prices fall by more than a dollar after OPEC decides to abandon price supports.

December 12 President Reagan signs the budget deficit bill into law, raising the debt ceiling to \$2 trillion and setting deficit targets for each year through 1991.

December 23 President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 17 United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.

January 28 Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.

February 26 Corazon Aquino takes over Phillipines as the new president.

March 3 Dow Jones Industrials close above 1700 for the first time.

March 4 Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.

Oil prices fall to \$12 per barrel.

March 7 The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.

March 21 Dow Jones Industrials close above 1800 for the first time.

Conservative Chirac appointed as Prime Minister of France.

March 25 U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.

April 1 Interest ceilings on passbook saving accounts ended.

CHRONOLOGY--Continued

1986--Continued

April 1 Oil prices fall to under \$11 per barrel.

April 14 U.S. air strike against Libya.

April 21 U.S. Dollar reaches a post-WWII low against the Yen at 168.60.

Discount rate cut from 7 percent to 6-1/2 percent.

April 23 Paul Volcker warns of public and private debt buildup as a threat to the economy.

April 25 Soviet nuclear plant at Chernobyl destroyed by fire.

May 12 U.S. dollar falls to 159.95 Yen.

May 22 U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.

June 1- June 26 CWA strike at AT&T.

July 7 The U.S. Supreme Court ruled that the Gramm-Rudman-Hollings mechanism for across the-board, automatic spending cuts was unconstitutional.

1986--Continued

July 7 The Dow Jones Industrial average was down a record 61.87 points.

July 10 The Fed lowered the discount rate from 6-1/2% to 6%.

August 1 United steelworkers strike for the first time since 1959. 44,000 workers were involved.

August 20 The discount rate was reduced from 6 percent to 5-1/2 percent.

August 27 The prime rate was cut to 7-1/2 percent from 8 percent.

August 28 General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.

September 4 Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.

September 5 California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.

September 11 The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian Employment Unemployment Unemployment rate Nonagricultural employment Manufacturing employment Hours and earnings Nonagricultural placements Initial claims for unemployment insurance Insured unemployment Index for production worker hours
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Index of leading indicators
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
Security Pacific National Bank	Housing units authorized Valuation of nonresidential construction
U.S. Department of Commerce	Retail sales
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
California Redwood Association	Lumber production
Conservation Committee of California Oil Producers	Petroleum production
American Iron and Steel Institute	Steel production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Federal Reserve Bank of San Francisco	Demand deposits Commercial and industrial loans
Coldwell Banker	Vacancy Rates

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

<u>Initial Trough</u>		<u>Peak</u>		<u>Terminal Trough</u>		<u>Expansion (months)</u>	<u>Contraction (months)</u>	<u>Total (months)</u>
Dec.	1854	June	1857	Dec.	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28